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'JINGJI YANJIU' ON PRC DEVELOPMENT STRATEGY

HK210935 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 83 pp 73-78

[Article by Zheng Fen [6774 3776]: "Summary of a Discussion On Questions Concerning China's Economic and Social Development"]

[Text] Social and economic life have indicated that there is a close relationship between, on the one hand, the development strategy and the strategic objectives chosen by a state as well as the strategic keys, measures and steps adopted by the state to attain the strategic objectives, and, on the other, the economic development and the gradual raising of the people's living standards. In recent years, our research workers (including economists, sociologista and scientists) and workers directly engaged in economic activities have studied foreign experiences and lessons of foreign countries, in particular, those of developing countries, and have, in the light of the practice of our socialist construction, inquired into questions concerning our economic and social development strategies. It is to be pointed out that we have just started treating them as an important research topic and need to hold further discussions. The grand strategic objectives of our economic development were set at the 12th CPC National Congress, and in his report to the 12th CPC National Congress, Comrade Hu Yaobang stressed the point that theoretical research in the fields of economics and business administration and the application of its results must be stepped up. This all the more requires us to make greater efforts to study these questions. The following is a summary of the main viewpoints and questions discussed over some time.

I. The Concept and Characteristics of Development Strategy

The word "development strategy" has a fairly wide scope of application. For instance, a department or an organization may have its own development strategy. But this kind of strategy cannot be called economic and social development strategy. The major points of development strategy, as they emerged from the discussion are: (1) Economic and social development strategy refers to the pivotal measures adopted by a state to attain its own development objectives. (2) Generally speaking, the so-called economic development strategy refers to the general policy and basic principles that are laid down by a state to attain its economic development objectives. (3) Economic and social development strategy is, in fact, the general policy for a state which has comparatively low productive forces and is economically and socially

backward, to develop to a state which has comparatively high productive forces and is economically and socially more advanced. (4) The development strategies which are being studied internationally mainly refer to the research into the problems confronting developing countries in their course of development, which is the transitional period from a backward economy to a modern economy; in other words, it refers to the economic policies to be adopted to eliminate the various causes of economic and social underdevelopment and then to gradually modernize developing countries.[1] (5) Since economic and social development strategy includes strategic objectives, strategic policies and the steps which should be taken to attain the strategic objectives and so on, it refers to important planning work which concerns or may even determine the overall situation of a state and is the general strategy of a state.[2] (6) It concerns how we conceive the major economic development objectives for a fairly long period as well as the major measures to achieve these objectives.[3] (7) Economic development strategy is the basic strategy for attaining the overall strategic objective of social development. Development strategy varies as the nature of society differs. Even countries of the same nature may have different economic development strategies.[4]

The above-mentioned viewpoints do not conceive and interpret development strategy in the same manner. Some comrades have pointed out that in a socialist country, development strategy is a means of social development instead of an end. Marx did not regard the expansion of production itself as an end; neither did he regard as a merit the capitalist principle which set profit as the end of production. In Marx's view, production should completely serve the prupose of meeting the needs of human beings.[5]

As regards the characteristics of development strategy, according to one opinion they concern, by their very nature, issues of principles, orientation and theories, for this strategy laid down in the light of the state of our country and in the light of how to combine the universal tenets of Marxism-Leninism with the socialist construction to modernize our country.[6] According to another opinion, overall and long-term considerations, hierarchy, stability, pragmatism and interdisciplinary knowledge are inherent in development strategy.[7] According to a third opinion, the choice of development strategy is inseparable from the historical conditions specific to a society, but it does not always remain unchanged. At different economic development stages, the development strategy of a society may change. Persisting in the original development strategy in spite of great changes in national and international conditions will have grave consequences. The adoption of the policy of readjusting the economy and the subsequent adoption of the ten economic construction policies marked great changes in our development strategy.[8]

II. The Choice of Development Strategy and Strategic Objectives and Economic Growth

Since the founding of the PRC, while setting our economic development objectives as we have, as have the other socialist countries, set a high economic growth rate as the major objective of our development strategy and have, at

the same time, particularly stressed that a certain department or a certain product should be regarded as the key link to give an impetus to all and to promote all. It is beyond doubt that by adopting this kind of development strategy, we have laid certain material foundations within a short period of time, and the economic achievements have been great. But the people have not received many material benefits, although they have paid a very high price for our construction. Apart from political upheavals, this is also closely related to our persisting in this kind of development strategy and strategic objectives over a long period of time. Emphasizing the development of heavy industry unilaterally and over an excessively long period of time will inevitably lead to disproportions in the development of the national economy. Since the founding of the PRC, we have twice readjusted our economic life and national economy on a large scale just because we have made errors in choosing development strategy and strategic objectives. Since the "gang of four" was smashed, especially since the 3d Plenary Session of the 11th CPC Central Committee, there has been an about turn in our development strategy, represented by the formulation and implementation on the "eight-character policy" with readjustment as the key point. Some comrade has pointed out that in short, this change has two facets: On the one hand, there has been a change in the strategic objectives of our economic development, and, on the other hand, there has been a change in the road to the attainment of the economic objectives.[9]

Some comrade thinks that the errors in choosing our economic development policy mainly accounts for the sharp turns which have repeatedly appeared in our economic construction. This can be seen from the viewpoint of both development objectives and the roads to and ways of attaining the objectives. As a consequences, a vicious circle of high targets, high accumulation, low efficiency and low consumption has been formed.[10] Some comrade has pointed out that errors in choosing strategic objectives will result in an irrational economic structure, and an irrational economic structure will impede the national economy from developing harmoniously, or thwart production, or slow down the development of production due to neutralization of the effects of countervailing forces and serious waste caused, or fail to obtain economic results in all aspects because the people's lives have not improved in spite of production growth.[11] Some comrade thinks that the drawbacks of our past development strategy and objectives were: Speed prevailed over all and subordinated all; the harmonious proportions in the national economy suffered distortions; serious waste and great losses were caused for acting at all costs and disregarding economic results.[12]

As regards the formulation of the ten policies for our economic construction, some comrade deems that this marks a great change in our economic development strategy and is the road to developing our economy. It is mainly reflected by: (1) The major objective of development strategy has shifted from achieving a high growth rate to satisfy the basic needs of the people; (2) Instead of stressing a particular sector or products as key links, the development strategy now stresses well-balanced development; (3) Instead of being based on autarky, the development strategy is now based on an open door foreign policy; (4) Instead of being mainly of an extensive nature, the development strategy now is mainly of an intensive nature.[13] Some comrade deems that the

that the essence of the new development strategy is: Instead of over emphasizing output value and the growth rate as in the past, it emphasizes better economic results; instead of implementing the policy of giving priority to the development of heavy industry alone as in the past, it emphasizes the importance of developing consumer goods for providing food, clothes, houses and transport means to the people; instead of expanding production mainly through building new enterprises as in the past, it mainly relies on technical transformation of existing enterprises; instead of autarky, it advocates the need to actively develop international economic relations and promote domestic economic development rhough international exchanges.[14] Some comrade thinks that setting long-term objectives with farsightedness and in accordance with reality is very important for ensuring that our economy develops steadily and efficiently. The 12th CPC National Congress set the strategic objectives of our economic development to be attained by the end of this century. This strategy closely relates the development of production with the improvement of people's lives as required by the basic economic law of socialism; it bases the development of production on the attainment of better economic results, while demanding that we stop and prevent definitively the pursuit of output value alone, whether in thought or in deeds; it unifies the development of economy, science and technology and society, this unity being the only road leading to good economic results in all sectors; it reflects the thought of doing what one can and doing one's best; it is related to realistic strategic key points and strategic steps and observes the principle of proportionate development of economy. [15] Some comrade deems that the economic development strategy adopted at the 12th CPC National Congress is a development strategy meant to satisfy the basic needs of the people. This is a distinctive feature of socialism. This differs from the so-called traditional strategy.[16]

So, we may say that the historic lessons from the 30 years' economic construction after the founding of the PRC and the results obtained thanks to the changes in our economic development strategy since the 3d Plenary Session of the 11th CPC Central Committee are vivid illustrations that the choice of economic development strategy and strategic objectives has a great bearing on whether the national economy may develop healthily and smoothly and on whether the ends and objectives set for economic development may meet the growing material cultural needs of the people. But having rectified the guiding ideology and having changed the development strategy do not mean that we may expect to attain the objectives in no time. We still have to work on the details, fix development targets for various stages and fight hard. After 30-odd years' exploration, we have realized the utmost importance of this issue. But this does not mean that we have solved all the problems on the way forward. We still have to further investigate and conduct research in the light of the policy of the 12th CPC National Congress; only in this way can we really and totally attain the grand objectives by the end of this century.

III. Establish the Principles To Be Followed While Elaborating Economic and Social Development Strategy

Regarding how to elaborate good development strategy for our country, making it realistic and really feasible in our country and enabling the broad

masses to benefit from it personally, many comrades have put forward the following principles to be followed:

1. We should abide by the socialist road.

Instead of pursuing a high growth rate alone in order to catch up with and overtake some other countries, our economic and social development strategy aims at realizing and developing socialist characteristics and orientation. Therefore, it must: (1) Contribute to promoting the development of production forces, consolidating the socialist production relations and realizing social justice. We should not be biased toward economic principles to the detriment of social principles or vice versa. (2) Give maximum satisfaction to the material and cultural needs of all the members of society. We should not be biased toward material life to the detriment of spiritual life or vice versa. (3) Avoid the side effects that modernization has brought about in capitalist countries.[17]

Some comrade has pointed out that development strategy should conform to the nature of socialism and meet the requirements of developing socialism. It is a development strategy of a socialist nature. It must have the following features: (1) Its objective must be to improve laborers' lives and to make them happier. (2) It must be favorable to the consolidation of the basic economic and political systems of socialism and, at the same time, covers reforms of the economic, political and administrative systems. (3) Its implementation must rely on the superiority of the socialist system and real efforts should be made to let the superiority of the socialist system fully play its role. (4) The main entity by which this strategy is implemented is the laborers under the socialist system. Their interests and will are collectively represented by the Marxist party and the government under the party. This fundamentally guarantees the implementation of the strategy.[18]

Some comrade thinks that our development strategy should also have the following features: (1) It should take the Marxist basic theories on social and economic development as the guiding ideology instead of being influenced by capitalist economic theories and schools. (2) While opening our economy to foreign countries, we must keep our economic independence and self-reliance as well as our sovereignty. (3) The development strategy should become a means of building a strong socialist country and of continuously satisfying the basic needs of the people instead of being a tool for a small number of people to become well off. (4) It must really reflect the basic interests of the people and be able to fully mobilize the masses to actively participate in the elaboration and implementation of the development strategy.[19]

2. It is necessary to proceed from the conditions of our country.

In order to elaborate our development strategy, we must get to know the conditions of our country clearly and exactly by undertaking large-scale and in-depth investigations into the conditions of our country, which have many varied aspects. According to one opinion, the conditions of our country should include our natural environment, that is, our natural resources, our population, the state of economic development in all the sectors, the level of our

[illegible] ation and culture as well as all other important conditions such as the various relationships and contradictions in our society, what we have inherited from old China, the changes which have taken place since the foundi[illegible] the PRC and so on.[20] We need to undertake large-scale and in-depth investigations into these aspects, for we cannot get to know them clearly and [illegible] overnight. Therefore, in concrete terms, we should study our natural, demographic and economic condition, our economic and social structure and the international conditions.[21] According to another opinion, while studying the conditions of our country, we must note that: (1) We have a population of 1 billion, of which 0.8 billion are in the rural areas. This is the [illegible] condition of our country. This condition of our country indicates that our development strategy should, in the first place, aim at developing our agriculture. (2) Although our natural resources are fairly rich, the resources which can be immediately used for our production and construction are limited because we do not dispose of enough funds and technological forces to exploit them immediately. This condition of our country indicates that while fixing our development objectives, accumulation rate and growth rate we must bear in mind what is within our reach. (3) During the 30-odd years, our industrial constructions has greatly developed and the machine building industry, which provides equipment to all the other departments of the national economy, is quite sizeable now. This feature distinguishes our country from some other developing countries. Therefore, from now on, to develop production we should, apart from strengthening energy, transportation and other weak links, mainly rely on technical transformation of the existing enterprises. Moreover, we should duly consider how the state of the economic management system and the traditions of our country and our people, which are spiritual factors, may influence the characteristics of our economic and social development. At the same time, we must also take into account our policies in the fields of science and technology and the issue of democratization. Science and technology must, in the first place, serve the current economic construction. We should distinguish the concept of how advanced [illegible] is from the concept of to which extent it is technologically applicable in a country during a certain period. Democratization is not equal to industrialization plus economic growth; it should also include the development of democracy, for without democracy there will be no socialism and no modernization.[22]

[illegible] has pointed out that provided that we are fully aware that the [illegible] our socialist society is public ownership, population, technological level and natural resources are basic data for us to elaborate our economic development strategy.[23]

[illegible] objective economic laws must be observed.

[illegible] comrade deems that Marxist political economics and production force [illegible] should be the theoretic basis for the elaboration of our economic [illegible] development strategy. Development strategy must conform to the economic laws (including the law of the movement of production relations and the law of the movement of productive forces). Only in this way is the development strategy a scientific one.[24] As to what, after all, can be regarded as conforming to the objective laws in the light of the actual situation of our country, some comrade has advocated that in a country like ours,

which is a big country with a rural population of 0.8 billion out of a total population of 1 billion, we must in particular act in accordance with the objective law of productive forces in the order of agriculture--light industry--heavy industry and that at the present stage, agriculture is the basis of our national power.[25] Some comrade has pointed out that agriculture is the key issue. The many contradictions existing in our real life as well as all kinds of problems that we may encounter in the future while developing our economy and society are closely related to the relationships between agriculture, light industry and heavy industry and will even, to a large extent, determine the course of all our economic and social development. Once our agriculture has made progress, it will be easier for us to solve the other problems.[26]

IV. The Objectives of Development Strategy in Concrete Terms, Index System and Its Evaluation Criteria

Since World War II, developing countries have, following the model of industrialized countries, set the pursuit of the growth of gross national product as the objective of their development strategy, intended to make their country wealthy and prosperous. In the countries which have set this target as the single objective of their development strategy at a certain state of their history, industry has somewhat developed, but agriculture lags behind; the living standard and quality of life of their people have been raised little in real terms; the gap between them and the developed countries have been widened.[27]

Some comrade deems that gross national product cannot give an exact indication of the state of a country's economic and social life. It fails to reflect the fruit of work represented by household duties done by housewives, the length of leisure time, environmental and ecological conditions and other factors. On the other hand, if gross national product is used to measure the social and economic life of a country, it may greatly depart from the actual social and economic living standard of the country in the case where the country has an irrational industrial structure.[28] The major defects of this index are: (1) It cannot fully reflect to which extent economic development contributed to the attainment of the final objective (which is the satisfaction of the people's needs in their material and cultural life); (2) It cannot mirror how the national income is actually distributed. The per capita gross national product cannot give an indication of the distribution pattern, for "average" and "difference" are mutually exclusive.[29] Therefore, some comrade deems that it is not right for us to take gross national product as the only or major index, or even to emphasize that this index should be given priority so as to become our major objective to be attained.[30] In consequence, these two questions must be considered at the stages of objective study and formulation: (1) The kind of life for the masses as consumers that our socialist modernization construction should fight for; (2) The ways in which we may give a comparatively exact indication of how the masses' needs are met and have a clear idea bout it.[31]

[illegible] pointed out that although gross national product may reflect the national achievements of a country and is a handy index for comparing the

development levels of two countries, it is not a satisfactory unit of measure for welfare, for it cannot correctly reflect the actual level of consumption and amenities of the people, which are their economic benefits. Disregarding the actual situation of the country and unilaterally pursuing gross national product will often result in a disproportionate economy with an irrational economic structure. As pointed out by certain foreign academics, "an evident drawback of gross national product is that it is a production index, not a consumption index. The final objective of economic activity is, after all, consumption."[32]

Due to the evident drawback of taking gross national product as the objective of development strategy, many efforts are being made to explore "alternative development strategies" (abbreviated ads). This means that growth of gross national product is not the only objective of development; instead, while increasing the gross national product, we should also give due consideration to other factors. Some comrades deem that we should take heed to ensure that the basic needs or the minimum needs of human beings are more efficiently met, and some comrades think that we should attach great importance to the material quality of life, while some other comrades think that growth and justice are to be treated as important issues.[33]

Some comrade has pointed out that although we have not explicitly stipulated that the growth of gross national product is the objective of our economic activities to be attained, but from the viewpoint of the negative effects due to the practice of regarding the growth rate of output value and output as the criteria for assessing the performance and economic achievements of an enterprise, the drawbacks are not quite unlike those mentioned above.[34]

Some comrade thinks that the guiding ideology of our development strategy should be that the fundamental objective of our socialist construction to be attained by the end of this century is, in accordance with the principle of the ends of socialist production, to satisfy, to a certain degree, the material and cultural needs of the people. Therefore, while formulating the objective of economic development, we should take care not to make it sound as if we were implementing the so-called "traditional development strategy." Of course, using gross national product as the index has its advantageous and useful aspects: (1) Its value is easy to calculate; (2) It is [word indistinct] exact; (3) All the countries in the world are using this index; (4) A better index which may replace it is not yet available.[35]

Some comrade deems that the strategic objective put forward at the 12th CPC National Congress also uses the index of production growth which is calculated on the basis of the total output value. This is because, on the one hand, the present systems of planning and compiling statistics do not allow very important changes for the time being and, on the other hand, because it is at present still hard to replace output value in some of its functions as an index giving an overall idea of the growth of output. It is based on the attainment of better economic results and requires that we stop and prevent definitively the pursuit of output value alone, whether in thought or in deeds.[36]

Some comrades have pointed out that the advantages of taking annual agricultural and industrial output values as the objectives of economic development, as did the 12th CPC National Congress, are: (1) This method reflects the situation of the two most important production departments in the national economy, that is, agriculture and industry; (2) It is relatively simple and convenient; (3) Relative value must be used to compare 2 years' industrial and agricultural production levels and development speeds—using this index may serve the purpose.[37]

In order to make up for the drawbacks of the index of gross national product and add other indices, foreign academics are seeking new evaluation systems of indices. What have been proposed are: (1) The amount of economic well-being. The index of economic well-being is obtained by adjusting the gross national product of a country. (2) An index of wealth distribution. It equals 20 percent of the households of the highest income bracked divided by 20 percent of the households of the lowest income bracket. Since the distribution system varies from country to country, it svery hard to work out an exact index of wealth distribution. (3) An index of the material quality of life. It aims at evaluating the level of material well-being of a country. It is composed of three indices, that is, infant mortality, life expectancy at the age of one, and literacy rate. This index reflects the characteristics of a distribution pattern. (4) ASHA [this is the abbreviation of the American Social Health Association. This index is named after the association from which it has originated). This is a kind of general index for evaluating social development. It includes the following six items: Employment rate, literacy rate, average estimated life expectancy, growth rate of gross national product per capita, birth rate and infant death rate. The ASHA index is obtained by multiplying the four four of the above six items and dividing the product by the last two items.[38] To this index, some comrade thinks that this index system itself does not have great value, but its formulation is very useful for us to ponder the issue.[39]

As regards the objective of our development strategy, some comrades have proposed that other indices should be added. In this regard, different views have also been expressed.

According to one opinion, the final results derived from measuring the living standard of a people should, in the first place, indicate its level of health, which is marked by: (1) Infant survival rate; (2) incidence of disease; (3) physical condition of the people; (4) average life span. In the second place, these results should indicat the extent of amenities, such as tourism, cultural and recreational activities as well as the length of time available for amenities. Third, they should indicate how high the levels of culture and science are. For instance, (1) literacy rate; (2) the extent of compulsory education; (3) the percentage of university students among the persons who have received compulsory education.[40]

Another opinion has suggested using eight indices to reflect social and economic development levels. These eight indices are: (1) national income per capita; (2) expenditure per capita; (3) the effects of social accumulation; (4) calories contained in daily food per capita, (5) employment rate;

(6) literacy rate of adults, (7) average life span; (8) natural population growth rate. The first four of these eight indices are economic ones and have a weight of 65 percent, while items 5 to 8 are social ones and given a weight of 35 percent.[41]

According to a third opinion, it is reasonable to use a kind of general index system to reflect development objectives and the extent to which they have actually been attained. This index system should include: (1) Indices marking the standard of material and cultural life of a society; (2) Indices marking the increase in the wealth of a society and the growth of material production, that is, the reproduction of material products; (3) Indices marking the state of population reproduction. These form a very large group of indices. Their advantages are that they cover all the aspects and many details, while their disadvantage is that they fail to give people a homogeneous and general concept. Therefore, only a small number of important indices which may cover all aspects of the state of development should be selected from them. These indices should at least include expenditure per capita, national income per capita, the effects of social accumulation and the rate of yields on fixed assets, employment rate, literacy rate of adults and average life span.[42]

According to a fourth opinion, the general index system should include: (1) A general index reflecting the scale of economic development; (2) A general index reflecting the living standard of a people; (3) A general index reflecting the level of economic and social development; (4) A general index reflecting the business results of industrial enterprises.[43]

According to a fifth opinion, the indices which are used to measure the living standard of our people should include first, a general index; second, an index which reflects how the basic needs of people's lives are met; third, an index which indicates the extent to which the basic needs of people's spiritual and cultural lives are met. The above-mentioned three indices are in their turn composed of several sub-indices.[44]

While suggesting how an index system may reflect what is called for according to the objectives of development strategy, some comrades have raised an important point, that is, how to determine and evaluate these indices, or the "value concept." What social ends and what style of living should be regarded as of great value and, therefore, worth one's while to strive for; what social ends and what style of living should be regarded as of little value and even of no value and, therefore, not worth one's while to strive for.[45] The end of socialist life is the satisfaction of human needs, instead of waste and ostentation of wealth. Therefore, from the viewpoint of socialistm, what consumption level, what consumption pattern and what consumer behavior are worth our while to strive for; conversely, what is not worth our while to make great efforts to attain or even is not worth our while to strive for.[46]

Some other comrade has raised the question of what criteria should be used to evaluate a society. He maintains that a society cannot be evaluated according to a criterion of how abundant its material products are; instead, it should be evaluated from the angle of what care and training its members

receive. These criterion are: (1) Is it an egalitarian society where the system of exploitation of man by man has been abolished? (2) Can this society meet the basic needs of the people? (3) Can the people in the society have the opportunity to "develop themselves"? (4) Can this society offer a sense of safety, a "sense of security"? (5) Is this a society where the morals and customs are good and human relations are based on "mutual trust"?[47]

Some other comrade deems that it is possible to evaluate each state of development strategy from the following sides: (1) The evolution of production relations; (2) The state of economic results achieved: (3) The evolution of economic structure; (4) The speed of economic development; (5) The state of people's lives.[48]

Finally, quite a number of comrades think that a change in economic development strategy needs a corresponding change in economic system. The people's lives in a country are determined not only by its economic development level, but also by the production and distribution pattern of its social wealth, that is, its economic system. Only if we include in our development strategy economic system reform can our national economic structure be gradually rationalized and our economy have harmonious development and steady growth.[49]

Moreover, while discussing economic and social development strategy, many valuable views have been expressed on departmental and regional development strategy, such as agricultural development strategy, development strategy in minority nationality regions. But the e views are omitted here to limit the length of this article.

FOOTNOTES

1. See Huang Fangyi: "An Enquiry Into the Concept of Development Stracegy," JINGJI YANJIU No 7, 1982.

2. See Yu Guangyuan: "On Research On the Question of Economic and Social Development Strategy in China," RENMIN RIBAO, 16 August 1982.

3. See Zhou Shulian: "Earnestly Study the Historical Experiences of Our Economic Development Strategy," RENMIN RIBAO, 24 May 1982.

4. See Sun Shangqing: "On Understanding the Problems of Our Economic Development Strategy," RENMIN RIBAO, 12 April 1982.

5. See Shaozhi: "Socialism, Science, Technology and Development Strategy," SHIJIE JINGJI No 1, 1982.

6. See Yu Kuangyuan: "Some Suggestions On How To Study the State of Our Country," "Economic and Social Development Strategy," Social Science Publishing House of China.

7. See Huang Fangyi, ibid.

8. See Dong Fureng: "A Change in Our Economic Development Strategy," CAIMAO JINGJI No 4, 1982: "Further Carry Out Research on Our Economic Development Strategy in the Light of the Ten Economic Construction Policies" (Comments), JINGJIXUE WENZHAI No 4, 1982.

9. See Ma Hong: "A Preliminary Inquiry Into a New Strategy for Our Economic Development," "Word indistinct] Almanac of China" III, 1981, p 8.

10. See Liu Guonguang: "The Change in the Economic Development Strategy of China," ZHONGGUO JINGJI WENTI No 4, 1982.

11. See Ma Hong: "Economic Structure and Economic Management," People's Publishing House, p 13.

12. See Dong Fureng: "A Change in Our Economic Development Strategy," CAIMAO JINGJI No 4, 1982.

13. See Dong Fureng: "Changes in Our Economic Development Strategy," CAIMAO JINGJI No 4, 1982.

14. See Sun Shangqing: "Changes in Economic Development Strategy," CAIMAO JINGJI No 5, 1982.

15. See Cui Shiyong: "On the Strategic Objectives, Strategic Key Issues and Strategic Steps of Our Economic Development," JINGJI YANJIU No 10, 1982.

16. See Feng Lanrui: "The Economic Strategy For Building a Modernized China," ZHONGGUO CAIMAO BAO, 9 November 1982.

17. See Su Shao Zhi: "How To Examine the Problems To Be Studied for the Elaboration of Our Development Strategy By Taking Into Account the Discussions On Foreign Development Strategies," SHEHUI KEXUE ZHANXIAN No 1, 1982.

18. See Yu Kwongyuan: "On Scientifically Studying the Problems of Our Economic and Social Development Strategy," RENMIN RIBAO, 16 August 1982.

19. See JINGJIXUE DONGTAI No 9, 1982, p 20.

20. See Yu Kwongyuan: "Economic and Social Development Strategy," p 3.

21. See Yu Kwongyuan: "Some Suggestions On How To Study the Conditions of Our Country, "Economic and Social Development Strategy," pp 63-78)

22. See Su Shaozhi: "How To Examine the Problems To Be Studied for the Elaboration of Our Development Strategy By Taking Into Account the Discussions on Foreign Development Strategies," SHEHUI KEXUE ZHANXIAN No 1, 1982.

23. See Sun Shangqing: "On Understanding the Problems of Our Economic Development Strategy," RENMIN RIBAO, 12 April 1982.

24. See JINGJIXUE DONGTAI No 9, 1982, p 20.

25. See Zhang Zhuoyuan: "Readjusting Our Industrial Structure Requires Us To Act According To the law of the Development of Productive Forces," JINGJI YANJIU No 11, 1982.

26. See Gui Shiyong: "On the Strategic Objectives, Strategic Key Issues and Strategic Steps of Our Economic Development," JINGJI YANJIU No 10, 1982.

27. See Li Xuezeng: "The Choice of National Economic and Social Development Objectives," WEILAI YU FAZHAN No 1, 1982.

28. See Yu Kwongyuan: "Why Can't Gross National Product Give An Exact Indication of the State of the Economic Life of a Country?" "Economic and Social Development Strategy," pp 10, 18.

29. See Li Xuezeng: "The Choice of National Economic and Social Development Objectives," WEILAI YU FAZHAN No 1, 1982.

30. See Yu Kwongyuan: "Why Can't Gross National Product Give an Exact Indication of the State of the Economic Life of a Country?" "Economic and Social Development Strategy," p 21.

31. See Yu Kwongyuan: "Some Ideas About the Formulation of Our Economic Development Objectives To Be Achieved by the End of This Century," "Economic and Social Development Strategy," p 23.

32. See Su Shaozhi: "How To Examine the Problems To be Studied for the Elaboration of Our Development Strategy By Taking Into Account the Discussions on Foreign Development Strategies," SHEHUI KEXUE ZHANXIAN No 1, 1982.

33. See Su Shaozhi: "How to Examine the Problems To Be Studied for the Elaboration of Our Development Strategy By Taking Into Account the Discussions on Foreign Development Strategies," SHEHUI KEXUE ZHANXIAN No 1, 1982.

34. See Li Xuezeng: "The Choice of National Economic and Social Development Objectives," WEILAI YU FAZHAN No 1, 1982.

35. See Yu Kwongyuan: "Some Ideas About the Formulation of Our Economic Development Objectives To Be Achieved by the End of This Century," "Economic and Social Development Strategy," pp 22-27.

36. See Gui Shiyong: "On the Strategic Objectives, Strategic Key Issues and Strategic Steps," JINGJI YANJIU No 10, 1982.

37. See the editorial office of JINGJIXUE ZHOUBAO: "What We Have Earned From Studying Part II of Comrade Hu Yaobang's Report To the 12th CPC National Congress," JINGJIXUE ZHOUBAO No 41, 11 October 1982.

38. See Su Shaozhi: "How To Treat the Problems To Be Studied for the Elaboration of Our Development Strategy By Taking Into Account the Discussions on Foreign Development Strategies," SHEHUI KEXUE ZHANXIAN No 1, 1982.

39. See Yu Kwongyuan: "Some Ideas About the Formulation of Our Economic Development Objectives To Be Attained by the End of This Century," "Economic and Social Development Strategy," p 32.

40. See Yu Kwongyuan: "Some Ideas About the Formulation of Our Economic Development Objectives To Be Attained by the End of This Century," "Economic and Social Development Strategy," pp 29-31.

41. See correspondent of JINGJIXUE WENZHAI: "A Discussion On Some Important Theoretical Issues of Our Current Economic Life," JINGJIXUE WENZHAI No 1, 1982.

42. See Li Xuezeng: "The Choice of National Economic and Social Development Objectives," WEILAI YU FAZHAN No 1, 1982.

43. See Zhou Ying, Liu Rixin and Zheng Li: "An Enquiry Into the Elaboration Of and Improvement On a System of General Indices for Planning," JINGJI GUANLI No 11, 1982.

44. See Li Huihong: "A Brief Discussion On the Indices For Measuring the Living Standard of Our People," TONGJI, No 4, 1982.

45. See Yu Kwongyuan "Socialist Construction and Style of Living, Value Concept and the Growth of the Human Being," "Economic and Social Development Strategy," p 23.

46. See Yu Kwongyuan: "Some Ideas About the Formulation of Our Economic Development Objectives To Be Attained by the End of This Century," "Economic and Social Development Strategy," p 81.

47. See JINGJIXUE DONGTAI No 9, 1982, p 21.

48. See Zhou Shulian: "Earnestly Study the Historical Experiences of Our Economic Development Strategy," RENMIN RIBAO, 24 May 1982.

49. See Dong Fureng: "A Change In Our Economic Development Strategy," CAIMAO JINGJI No 4, 1982; Yu Kwongyuan: "Economic and Social Development Strategy," p 3; Su Shaozhi: "How To Treat the Problems To Be Studied for the Elaboration of Our Development Strategy By Taking Into Account the Discussions On Foreign Development Strategies," SHEHUI KEXUE ZHANXIAN No 1, 1982.

CSO: 4006/355

NATIONAL POLICY AND ISSUES

NEED FOR REFORM OF COMMERCIAL SYSTEM STRESSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 3 Jan 83 p 3

[Article by Chen Dagu [7115 1129 7711] of Commercial Economics Research Institute of Ministry of Commerce: "Reform Must Be Resolute and Firm Steps Must Be Taken, On the Adoption of Flexible Commercial Policies and Restructuring of the Commercial System"]

[Text] A new situation has emerged on the domestic market since last year. The production of rural commodities has quickly developed, agricultural and sideline products have appeared on the market in large quantities, and there is now an abundant supply of overwhelming majority of varieties of light industrial products in the cities. This is a radical change from the shortage of supplies which has been always the case in the past 20 and more years; this is an unprecedented fine situation. However, there are also new problems in its wake, such as the overstocking of some slow-selling agricultural and sideline products and light industrial goods; the slow turnover of funds in some light industrial trades in the cities; productive capacity being left idle or at a standstill; and the outcries from peasants in the countryside about the "difficulties in selling agricultural and sideline products and in buying industrial products." Among the commercial enterprises, the warehouses are filled above capacity, the amount of funds used has been increased along with the increase in expenditures and the reduction of profits. How will the commercial departments be able to cope with the new situation in promoting production and bringing about a fundamental turn for the better in the financial and economic situation? In my opinion, we should proceed in the following two directions.

The Adoption of Flexible Policies

State-run commerce is the main body of the unified socialist market. In implementing the principle of the leading role of planned economy and the supplementary role of market regulation, we should be firm in dealing with major commodities, but flexible in dealing with minor commodities; be firm with wholesales, but flexible with retail sales; and adopt even more flexible policies than ever before in procurement and marketing. For agricultural and sideline products of the first and second categories, we should firmly uphold the policy of prescribed or quota procurement and enforce mandatory planning. However, the varieties of second-category commodities should be

reduced, while the third-category commodities and those first- and second-category commodities which are permitted to be sold on the market after the completion of the tasks of prescribed procurement and quota procurement, should be subjected to regulative role of the market and be permitted to be transported and sold through many different channels. By this means, it will be possible to mobilize the resources in many quarters for the procurement and transportation of the products of the peasants' economy diversification and to clear the channels of circulation. For industrial products, there are unified purchases, planned purchase, purchase by ordering and purchase by selection. For the remaining portion which the industrial enterprises are allowed to sell for themselves, the systems of wholesale and consignment and of joint operation and joint marketing should be introduced so as to promote the sales and eliminate the difficulties which industry may experience in selling its own products. This will also induce the industrial departments to produce more and better easily sold goods.

State commerce should be good at the use of economic levers, and actively participate in market regulation in order to stimulate circulation. Provided the basic stability of commodity prices is preserved, we should adopt the policy of stabilizing the prices of major industrial products and being flexible with those of minor commodities, and let the enterprises set the prices. The wholesale-retail sale differentials, regional differentials, urban-rural differentials, season differentials and quality differentials of the prices of either industrial or agricultural products, if too small now, should be appropriately enlarged in order to promote production and circulation. Negotiated purchases and negotiated sales should be encouraged in state commerce, which should also participate in market regulation so as to regulate supply and demand, and to keep the prices in the village fairs balanced. To promote the sales of industrial goods, state commerce can adopt the methods of credit sales, consignment, advanced delivery, late or installment payments and other forms of commercial credit in order to regulate the economic benefits and to solve some problems which cannot be solved under the current system. For the unsaleable or slow-selling goods, goods of inferior quality and high prices, and the goods which have been damaged or whose quality has deteriorated, the companies at various levels and the stores at the basic level should be given certain rights to sell at reduced prices so that they can be disposed of in time. This will help avoid the prolonged tying down of funds with even greater losses. As to the losses from the stockpiling of goods as the result of upgrading and updating the goods, a special fund should be set up to make up for the reduced prices jointly by industry and commerce.

The Need for Reform in the System of Organization

Reform in commerce should begin with the development of collective and individual retailing and the food service. The absolute number of personnel in the commercial outlets at present is now larger than in 1957; if we look at the present population, however, we will see that the number of store personnel for every 1,000 people now is smaller than in 1957, and the development in different regions is uneven. Retailing and food service is in direct contact with the consumers and involves more manual work; therefore, these stores should be small and widely spread out. There should be overall planning

and comprehensive arrangement for all economic sectors, and active support in political terms should be given to collective and individual commerce and the food service and in the supply of goods and choice of business sites, so as to promote their development.

The current problems in the wholesales of industrial products in cities are that the distribution of organs is not rational and the intermediate links are too many. In restructuring, therefore, we must solve the urgent problem of excessive wholesale organs in one city and at the same time merge those wholesale stations which have not been set up on the basis of economic zones in order to reduce the tying down of funds and the waste caused by detours in transportation. Then we will further develop a network of wholesale organizations based on the central cities and extend them from the urban to the rural areas in accordance with the economic zones and the circulation pattern of commodities. The procurement and wholesale organs for agricultural products should also be adapted to the characteristics of commodities. If at all possible, there should be direct contacts between counties and municipalities in order to reduce the intermediate links.

In the management of state-run commercial enterprises, efforts must be made to overcome the present defects of "eating from the same pot" and egalitarianism, and to increase the enterprises' vitality. State-run wholesale enterprises and large retailing enterprises and restaurants should strengthen and perfect their economic accounting system which should branch out into different sections and groups according to the specialized lines of business. Small state-run retailing enterprises or restaurants can adopt different forms of business operation. Some of then can be contracted to collective or individuals; others can substitute the payment of taxes for the delivery of profits and assume responsibility for their own profits and losses; still others can lease their vendor stalls to private individuals.

The commercial nature should be restored for the basic level cooperatives in the countryside. On the one hand, they should undertake the task of procurement and marketing entrusted to them by the state; on the other hand, they should help the peasants sell their products, supply the means of production and subsistence and other services to the peasants, and support the development of economic diversification. They should take in peasants as shareholders on a voluntary basis and restore the mass character in their organization, the democratic spirit in their management and the flexibility in their leadership. Agricultural-commercial unions should be developed in various forms. They should set up joint production bases, processing enterprises and service undertakings in order to bring about a closer relationship between agriculture and commerce.

Commercial reform should be coordinated with the general outline of economic reform in the light of reality. We should sum up the historical experiences and through step-by-step progress in reform, gradually set up a commercial system with typical Chinese characteristics.

'JINGJI YANJIU' DISCUSSES SHENZHEN ECONOMIC ZONE

HK180635 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 83 pp 28-34

[Article by Yu Guangyuan [0060 0342 6678]: "Understanding of Some Problems About the Shenzhen Special Economic Zone"]

[Text] In 1979, after the decision by the Party Central Committee and the State Council to open up Shenzhen as a special economic zone (SEZ), this region gradually began to develop into a multi-management SEZ revolving around industry, housing tourism and the supply of nonstaple foods to Hong Kong and Macao. But this SEZ is today still in its embryonic form. There is still a need to clarify more accurately such questions as its true nature, its economic system and the position it holds within the development strategy for China's socialism. In addition there is still a need there to strengthen construction of both a material and a spiritual civilization.

1. The Social Nature of Shenzhen SEZ

Every region has its own special characteristics but a region can only become a special economic zone when it meets the special characteristic stipulations of "special zone." SEZ's should be seen as in opposition to ordinary regions but as such there still exist SEZ's of different kinds. For example, in the discussion with XINHUA SHE reporters given by Comrade Ye Jianying, committee chairman, on 30 September 1981, he announced that "after reunification Taiwan could be a special administrative zone, enjoying a great deal of autonomous power and retaining its own armed forces." He continued, "Taiwan's present social and economic system would not change, its life style would not change nor would its economic and cultural relations with other countries. There will be no encroachment on the system of ownership of private property, housing, land and enterprises, nor on legal rights of succession and inheritance or foreign investment." This illustrates that this special administrative zone would be a special zone of a political nature and a special zone in social and economic terms as well. The reasons why Taiwan will be able to become such a special administrative zone in the future are a result of its special political and historical conditions. But when Shenzhen is compared to other regions in China it has no special political and historical conditions, and is merely a piece of land specifically chosen by the state to act as a base for developing economic relations with foreign countries, in

which special economic policies are implemented and special measures taken which correspond to its special role. It is for these reasons that the area has gained the nature of special economic zone. Thus the Shenzhen SEZ is not a "special political zone" and nor is it a special zone in terms of the social economic system. It is only a special zone in terms of its economic policies or its economic system. Simply put, it is only a special economic zone.

Here I would like to give a very simple explanation of my understanding of the differences between the two concepts of the socialist economic system and the socialist economic set-up. When we talk of the socialist economic system we mean the one kind of system to be found at any time in any one or all socialist countries, whereas the socialist economic set-up refers to the overall position of the production relations at one specific time in one specific country, and it may differ from that of another country or differ within that same country at another period in time. While discussing the question of the special economic zones we should mention that in a country as big as China it is quite possible for there to be differences in terms of the economic set-up in different regions. The possibility of the existence or development of a non-socialist economic area and its economic relations with foreign countries is a topic which falls into the category of economic policy. Such areas would also be different in certain ways from the SEZ's and other regions in China.

Thus far we have only talked very superficially of the differences between the economic set-up and the economic policies. As to what the differences actually are, we must look more deeply at the question.

Of course the delineation of a piece of land to act as a SEZ requires selection and all areas which are selected to be SEZ's must meet certain requirements. As far as the Shenzhen SEZ is concerned, its special and advantageous conditions are primarily its geographical position, its proximity to Hong Kong and its contiguousness to Kowloon. In this sense Shenzhen is very similar to the SEZ of Zhuhai in Guangdong. Longfu in Xiantou and Huli in Xiamen are different from Shenzhen and Zhuhai in that the latter two SEZ's are geographically well connected in terms of international sea lanes and connections, making communications and shipping more convenient. In historical terms these regions have served as foreign trade ports.

From an economist's viewpoint, there exists in the Shenzhen SEZ primarily a question of differential rent. Everyone knows that in the Marxist theory of land rent, land rent is comprised of differential land rent and absolute land rent, and within differential land rent there is yet another distinction, between differential land rent 1 and differential land rent 2. Differential land rent 1 is created on the basis of the quality of the land and other natural conditions (in agricultural terms this means the effect that the standard of the soil has on agricultural production labor rates) or it is created on the basis of the distance of the land from the nearest towns, transport conditions, etc. Everyone knows that land rents in Hong Kong are astronomical, but if we completely isolate Shenzhen from Hong Kong then Shenzhen's proximity to Hong Kong and its geographical continuousness to Kowloon and Hong Kong

would not see effective realization in economic terms, thus the differential land rent 1, decided by geographical position and transportation conditions, is defined by its links with other regions in China. If we adopted certain special measures and policies to facilitate communications between Shenzhen and Hong Kong, then Shenzhen's proximity to Hong Kong would greatly force up Shenzhen's differential land rent. Zhuhai SEZ's situation is the same. While Longfu in Xiantou and Huli in Xiamen are both very far from Hong Kong, construction of these SEZ's would also force up the differential land rent in these areas too.

Of course, Shenzhen not only gains from higher differential land rent as a result of implementing special economic policies, but is also presently undergoing urban construction to meet the demands of a modern city. The completion of urban construction projects in Shezhen town makes conditions even more favorable for foreigners, overseas Chinese, Hong Kong and Macao compatriots and their enterprise and company investment activities, as well as improves the results of such economic activities.

In general, one of the fundamentals of the economics of the SEZ's is that the Chinese Government, on the basis of socialist construction and the interests of the state, should make use of the special geographical conditions of these areas and, according to their preplanned aims (such as export, to gain foreign exchange for the importation of advanced technology, and increased opportunities for labor force employment), carry out special economic policies in these areas as well as construction of a modernized level in order to achieve these special economic results.

The special economic policies being implemented in the Shenzhen SEZ are primarily illustrated in the renting of land and buildings to the visiting businesses, the hiring of China's labor force by these businesses and differences in the handling of the entry and exit of goods and people, taxation, foreign trade set-up, domestic and foreign currency management and price management between SEZ's and other regions in the country. At present, there are still many questions and problems related to these particular areas of work in Shenzhen, which still require solving, and thus there is a need for some well-thought-out regulations which will be in line with the aims of the special zones that we have set up. Since we decided to set up these SEZ's such as Shenzhen in the interests of China's socialist construction, we must firmly maintain their uniqueness and specialness, otherwise their roles as special zones will not come into play.

Here I feel that I could point out that since China is at present carrying out reform of its socialist economic set-up, it is possible that there might be two different kinds of policy found in the special policies now being implemented in the Shenzhen SEZ. Some are of a nature only suitable to the special economic zone and as such will not be suitable for other areas in the future. The others are of a nature that, while presently being implemented in the SEZ, they may in all possibility be implemented everywhere in China in the future. Only while reform of China's socialist economic set-up is still under discussion is it difficult to distinguish very clearly between these two different kinds of policies.

The system of ownership within the Shenzhen SEZ is the same as the socialist system of public ownership and collective ownership that exists throughout the rest of China. However, in many cases relationships have been set up with foreign businesses as a result of the importation of goods and materials for local production or as a result of loans from the foreign businesses for implementation of production (these debts and the interest on them is paid with foreign currency, ready cash or by means of compensation trade).

The importation of materials for local processing is used from time to time in international trade. When China's socialist enterprises make use of this and set up relationships with foreign businesses, the socialist nature of their enterprises is in no way affected. The reasons are exactly the same as those which explain the socialist nature of China's foreign trade. Loans made by foreign businesses or foreign countries are also unable to affect the socialist nature of China's enterprises. The problem is that for the capitalist, our use of foreign capital is export of capital. They want us to pay interest (in compensation trade situations the interest to be paid is included in the fixed quotas of goods given to them). Within the kinds of relationships set up with foreign businesses, there is also China's funds for cooperation with foreign businesses made up of our socialist economy's fixed assets, circulating funds and requisition-purchased land, and thus production, sales and marketing and distribution of profits are all carried out based on suitable conditions worked out before hand. Any region which has going on in its area capitalist capital-related activities by foreign businesses will of course find itself with surplus value and a certain amount of exploitation. This is the situation everywhere, whether the activities are the importation of materials for processing, compensation trade, loans with interest payments or Chinese-foreign joint ventures. All of them without question contain capitalism. However, if one regards these economic styles solely as state capitalism, then they are seen as a special style of state capitalism within a socialist country. And here I must disagree. In my view, since there are socialist economic activities going on within these special economic styles, the nature of these special economic styles should be analyzed from two different angles. Thus, the foreign capital within these economic styles does of course fall into the category of state capitalism. It is inevitable that the foreign export of capital through China, the building of foreign enterprises in China and the taking of a portion of the value created by our workers is indeed capitalist exploitation. But these kinds of capitalist activities are taking place on Chinese socialist soil and are being carried out under the jurisdiction of a socialist country and, furthermore, in terms of our country's overall economic construction, are only permissible under certain conditions and under these conditions can benefit us. For this reason we should still warmly welcome foreign business investments in China. Thus all this must be seen as a special style of state capitalism in China. However, the existence of this kind of state capitalism is only one side of the problem, for within this special economy style there are also China's socialist economic activities going on, such as the work done by China's socialist workers, China's socialist funds and the organized forces of China's socialism, etc. We should not only regard the material or concrete [illegible] and ignore the other side, which is in fact very important. [illegible], as far as the socialist activities to be found in these special

economic styles are concerned, their aims are in the interests of China's socialist construction and the needs of our society. Thus, in this sense, the above-mentioned few economic styles are not of a state capitalist nature but are of a socialist nature.

In Shenzhen there is another economic style and that is the state's leasing of land and buildings to foreign businesses for either their enterprises or their private living quarters. This economic style also needs to be seen and analyzed in two ways. As far as China is concerned, the leased land and housing is the property of the Chinese socialist state and thus the rent received is the revenue of the socialist state and thus the nature of this kind of economic undertaking is of course socialist. But as far as the foreign business' management in China is concerned, the enterprise is run and managed by the foreign concern while the labor force is sold by us to them and thus in this sense it must be recognized as being capitalist in nature.

If we take an overall look at all the economic styles mentioned above, while at the same time considering the socialist state's administration of all regional economies, then we can appreciate that the economic styles of the socialist system of ownership in the Shenzhen SEZ represent the superior ones, although the vast majority of the socialist economic styles in the zone have in fact established connections with foreign investment. The proportion of economic styles within one region's economy which have taken up connections of one sort or another with foreign capital is far greater than in other regions within the overall structure or makeup of the entire socialist system of ownership. And this is the fundamental characteristic of the Shenzhen SEZ in terms of the makeup of the system of ownership. However, this characteristic has not in any way affected the essential nature of the zone and this is because within the zone it is socialist economics which dominates the scene, or, in other words, the Shenzhen SEZ is a socialist special zone.

The leading position of the socialist economy of the Shenzhen SEZ within the overall economy of the region, may also be viewed from the separate sectors of the national economy. We know that the national economy includes many spheres, such as industry, agriculture, communications and transport, post and telecommunications, commerce, foreign trade, banking, finance, real estate, public utilities and so on. Within these many different spheres there exist socialist economic activities while state capitalist economic activities only exist within one section of these spheres, and at present is limited to industrial production. Furthermore, the products produced in the enterprises practicing state capitalism within the special zone are generally only sold and marketed either within the special zone or abroad. Of course the market within the special zone is still controlled by socialist economics and what is more the enterprises within the zone that are practicing state capitalism only do so under the jurisdiction of the socialist state. All these facts should be kept in mind.

We should also examine this question in terms of politics. The Shenzhen SEZ is situated within the borders of the People's Republic of China and its basic political and economic system is similar to that of the rest of China.

The policies and laws implemented and practiced within the SEZ are those of the PRC. All those policies of a more special nature that are implemented in the SEZ as well as the economic set-up of a more special nature to be found in the SEZ are all drawn up and chosen on the basis of the interests of socialist construction. For this reason we must affirm that the nature of the Shenzhen SEZ is completely socialist. I feel that to view the SEZ as being of a state capitalist nature, based on the large number of activities involving foreign capital which take place in the zone, is to fail to fully analyze the national economy of the Shenzhen SEZ and also suggests a lack of a complete analysis of the various economic styles within the zone.

2. Is the Economy of the Special Zone a Planned Economy or a Market Economy?

A planned economy is something which evolves out of that fundamental characteristic of a socialist economy, namely the common social ownership of the means of production, and thus if the nature of the economy of the special zone is socialist, then the economy of the special zone must hence be a planned economy.

Some people might ask, since land is rented to foreign enterprises and is for the processing of imported materials, we do not know what is being produced or how much is being produced, so how can we say it is a planned economy?

Such questions display a misunderstanding of what a planned economy is.

I would like to point out the following: the socialist planned economy of which we talk has always meant the way in which our socialist state draws up plans and adopts the measures that it can to plan economic activities where it can and where it should so that the development of these economic activities will be along the lines of the predicted plans. As for those economic activities which we cannot or should not plan, our lack of plans for them does not prevent us from carrying out a planned economy.

As an example, China's foreign trade is planned and makes up an important integral part of China's planned economy. But the planned economy can in this case only be implemented in the following few areas: 1) What products we plan to export and what products we do not plan to export and whether or not we want to put a maximum limit on the quantities of those products we do want to export, and what this limit should be; 2) What products we plan to import and what quotas should be placed on these imports; 3) Under what price conditions will we import and export products and so on. The planned economy that we practice on foreign trade does not include the numbers of products that we definitely want to import or export or the prices of import and export products. The reason for this is that while we can restrict our own import and export quotas we cannot insist that other countries sell their products to us or buy ours and while we may influence the international market price, this international market price cannot be set according to our plans. A planned economy in no way implies that planning be carried out on those [illegible] not be planned, and if such a position was [illegible] fundamentally impossible to

carry out a planned economy on its foreign trade. And of course such a situation would be wrong.

The same argument and reasoning may be used in discussing the Shenzhen SEZ. If we take the economic style of leasing of enterprises as an example, while the foreign businesses are only leasing a section of our land or in some cases the premises built by us with the aim of carrying out production, and since the products being produced are not being marketed or sold in our country, how are we in a position to plan quantities, varieties and specifications of these products being manufactured? How are we in a position to plan the production costs of these products as well as their profits and economic targets? What need do we have to do this. These things which we can never and should not plan do not belong within the sphere of the planned economy. This reasoning is the same as that outlined above in the argument concerning the planning of foreign trade. But as far as the question of leasing land or premises to overseas businesses is concerned, there are some things which we still can and should plan. Such things include how much land we intend to lease to the foreign business and what quantity of premises we intend to build to lease to them. In addition we can also plan how high the land or building rent should be for these foreign businesses, and anything lower than this figure will not be rented. These things all lie within the sphere of things we can plan. Since such affairs are carried out under planning our economy is a planned economy.

The planned economy that is carried out in the socialist system is based on the objective reality of things as well as a grasp of the objective rules of things, and on this basis plans are drawn up, planned management is carried out and the national economy develops in a planned manner. Planning is organized and planned management is carried out in accordance with the characteristics of the special zone. When the objective situation differs, the content of the planned economy being carried out also differs. These differences in the content and method of the planned economy being carried out are necessary requirements of the planned economy itself.

A market economy, in the eyes of most economists, is something which stands very much in opposition to a planned economy and the implementation of a market economy implies no planning; instead the national economy is regulated entirely by the market and, unlike us when we draw up our plans, it does not take into account market demands. On the basis of this definition, the national economy of the Shenzhen SEZ cannot be called a market economy. Of course it is necessary to consider market demands within production (even if it is command-style planning that is being carried out there is also a need to ensure that the planning corresponds with objective reality and that market demands are considered). However, those parts of the economic activities in the Shenzhen SEZ which can be and should be planned, do fall under planning jurisdiction, and, like other regions, the Shenzhen SEZ has a planning organization. This planning organization must draw up very good plans for the economy of the Shenzhen SEZ so that they correspond with objective reality. Today Shenzhen is in an initial stage of construction and the most important part of present planning policy is to implement the so-called "construction of the five basic amenities and leveling the land for building."

The Shenzhen SEZ also needs long-term developmental plans as well as medium-term and annual plans. There is also a need for planned management of Shenzhen's economic work, and prompt inspection of the implementation of planning. All these things are manifestations of a planned economy and not a market economy. Of course, in carrying out a planned economy, the economic leaders of the Shenzhen SEZ do have to have a very good understanding of market demands and they must keep in close touch with market trends. These things are all a vital and necessary part of carying out a planned economy. At the same time economic development in the Shenzhen SEZ must have the planning support and guidance of all of Guangdong Province and even the entire country.

3. The Strategic Position of the Shenzhen SEZ

The word "strategic" was formerly used primarily in a military sense but today the word "strategic" and its meaning have been expanded to refer to schemes or plans of major importance, with overall implications or even of a decisive nature. Anything which implies overall implications and ramifications may be said to be strategic.

In studying the strategic position of the Shenzhen SEZ we should analyze the following few points:

1. The Shenzhen SEZ is one of several SEZ's throughout the country. It's strategic position is thus included within the strategy of China's principle of setting up SEZ's. The area of Shenzhen measures some 300 square kilometers, making it the largest of all the SEZ's in China, and its surface areas are still several times larger than the area of all other SEZ's together. Shenzhen's proximity to Kowloon and the direct sea links between Shekou and Hong Kong give Shenzhen a very special status. The Shenzhen SEZ was constructed fairly early on and today the basic construction in the Shekou industrial estate ("construction of the five basic amenities and the leveling of plans for building") is essentially complete. Thus the Shenzhen SEZ occupies a prominent position among the SEZ's throughout China.

2. All the SEZ's throughout China are subordinate and useful on a larger scale to the regions and provinces in which they are situated. Thus the Shenzhen SEZ is subordinate to Guangdong Province. The strategic position of the Shenzhen SEZ is thus also included within the strategic position of Guangdong Province. Guangdong Province represents China's greatest southern gateway and its economy and technology are both well-developed. Guangzhou is the largest city in southern China and the soil in the Pearl River Delta is extremely fertile, thus the area is rich in production. Shenzhen is located within this region and hence the development of the Shenzhen SEZ can be of use to more effectively express the strategic position of Guangdong Province throughout the country.

3. The strategic position of the SEZ also includes being used in China's [illegible] of importing advanced foreign technology and making use of foreign [illegible]. Shenzhen is at this moment actively importing foreign advanced

technology and making use of foreign capital to carry out construction. Shenzhen puts a great deal of emphasis on this particular work and is the most centralized region for the carying out of such work. At present its work has as yet not developed but already it has some useful technology which is well worth noting by other regions. In the future when the zone has fully developed there will without question by an abundance of advanced technology for study and dissemination.

4. If work in the Shenzhen SEZ is carried out well, China will, primarily, gain a great deal of income from foreign currency. This is because land-use fees and rents in the zone are levied in foreign currency and the percentage of profits earned by products produced in enterprises within the zone and sold abroad that is returned to China's socialist state-run economy is also returned in foreign currency. After completion of construction in the SEZ the income earned by increased tourism and other service industries will also be in foreign currency. Second, increased speed in construction in this region should be considered. In the last 2 years construction in the Shenzhen SEZ has been carried out very fast and this is also true in comparison to construction in other regions. A further point is increased labor employment opportunities in the region and other surrounding areas. The result of this has been many more outlets for the production, marketing and sale of products in the SEZ, and all of this has played an important role in enlivening the economy and continuing to improve workers' standards of living. This is something which should be considered when looking at Shenzhen's strategic position.

5. The strategic position of the Shenzhen SEZ can also be considered in terms of its relations with Hong Kong.

In general then, I feel that it is impossible to exaggerate the strategic position of the Shenzhen SEZ, for indeed, the zone is merely a rather small piece of land, the role of which, however, is intimately linked with the development of economic relations with foreign countries and the exploitation of its unique and very special geographical position. But we should not overlook its important strategic position for not only is it a very new phenomenon, it is also a very important one.

4. The Construction of the Shenzhen SEZ

The Shenzhen SEZ is right now under construction. We should take a look at and examine questions and problems arising from construction. Construction in the Shenzhen SEZ is the same as construction elsewhere in China and it includes both the construction of a material and a spiritual civilization. The construction of a material civilization is the basis and focal point of socialist construction work. Construction of a spiritual civilization is not only an important guarantee for the construction of a material civilization, it is also an integral and fundamental part of socialist construction and guarantees that China's construction will develop along socialist lines.

As far as the construction of a material civilization is concerned the main task in Shenzhen is to successfully carry out essential urban engineering

construction work and other items of municipal construction. If this work is not done well then it is impossible to attract investors to Shenzhen to set up enterprises. Furthermore, the success of such essential construction work also requires successful urban planning. Planning success or failure is intimately linked to the lasting duration of these major undertakings. Thus the more detailed such work, the better, and we need constant, repeated and detailed improvement to reach perfection.

One difference in construction work in the Shenzhen SEZ when compared with other regions is the large use of foreign capital in construction. Many foreign businesses also want to take part in the construction of the SEZ. In order to do so they must come up with some kind of urban plan. It is said that the urban plans for Shenzhen they provide are those studiously researched by experts who have been asked to do so. I feel that only opinions with a scientific basis should be studied in any detail and considered for use. However, the construction of a SEZ is, after all, an enormous undertaking that we should really make our own decisions on and thus we ourselves have an even greater need to carry out analysis and research of construction plans.

Since some foreign businesses have already invested money in the Shenzhen SEZ to set up factories, there are already some foreigners who have either bought or rented premises in the SEZ. Thus it is extremely important to successfully carry out this area of work that is being undertaken at the moment. Only by making them understand China's policies on the basis of international work can we hope to attract more foreign investment to China. They very closely follow China's laws and even more closely the international situation. Since work on construction of the Shenzhen SEZ began very early, success or failure in this area of work will influence not just the Shenzhen SEZ.

[illegible] in this area of work, which is already under way, does not imply that we should simply go all out to find overseas investors without adhering to any kind of principles. On the contrary, all our work should be carried out strictly in accordance with China's policies and laws. For no matter what [illegible] it might be, if affairs are not carried out entirely in accordance with the laws already promulgated, then they could produce very severe and negative [illegible].

Work in commerce has extremely important connections with construction in the Shenzhen SEZ and commerce should make every effort to satisfy the demands of construction within the SEZ. Commercial departments should make sure they [illegible] of the characteristics of the SEZ and thus they should adopt working methods and measures which are in line with the SEZ in order to solve whatever problems might arise. Today in Shenzhen one can see that many domestically-produced products are actually "imported" from abroad. This rather singular phenomenon must be changed. At the same time there should [illegible] some research into the management of foreign currency so that some [illegible] produced to improve such work.

[illegible] the area increases dramatically, there is also a need [illegible] attention to agricultural problems within the Shenzhen SEZ. Baoan

County, situated within Shenzhen town, but not part of the SEZ, is double the size of the SEZ. The local population density will be much lower than in other counties in the Pearl River Delta region and hence conditions for developing agriculture are very good, and the potential is enormous. Modern methods should be used to develop agricultural production which will then be able to provide an abundance of agricultural products and hence agriculture in the Shenzhen area should be organized and handled as soon as possible. The agriculture of which we talk here includes animal husbandry and the aquatic products industry. The two industries occupy a very important position in Shenzhen, and in this area there are adequate conditions for them to be successfully run. The Shenzhen SEZ urgently needs service industries and basic agricultural product-processing industries for agriculture and also conditions for such industries in the area are very good.

Tourism in the Shenzhen region is one aspect of construction of the SEZ. Tourism run in the socialist system is not only done to gain benefits but should also take into consideration how our cultural heritage and Chinese history should best be publicized. Since there are no outstanding tourist attractions or scenic spots in the Shenzhen SEZ, in order to develop the tourist industry we will pay great attention to culture. Tourists visiting Shenzhen will come mainly from Hong Kong and we must make their holidays happy while at the same time increasing their understanding of China's geography, history and culture as well as increasing their patriotic fervor. This is very important work. Working from classical Chinese pictures Hong Kong built a replica of a Song Dynasty village. We, too, in Shenzhen could build replicas of famous places of cultural interest and modern feats of engineering to be found in other regions of China. This would not only be welcomed by overseas and Hong Kong tourists, it would also be appreciated by China's citizens. A broader understanding of the word culture also includes "food, clothing, shelter and transportation—the four necessities of lie," and there is research to be done here too. Thus we should incorporate them as a kind of culture into the tourist industry.

The construction of a spiritual civilization in the Shenzhen SEZ is extremely important and the special characteristics of the Shenzhen SEZ mean an increase in the passage of people across the border between Shenzhen and Hong Kong. This is necessary in the construction of the Shenzhen SEZ and is especially necessary for developing the tourist industry. As the number increases of people from these two different systems coming and going across the border, it is possible, too, that Chinese citizens will find themselves increasingly facing the influences of corruptive capitalist ideology. There are a great many young people in the Shenzhen SEZ and they lack a full understanding and the capacity to criticize and judge the capitalist system. If we do not implement construction work on spiritual civilization and if we do not educate young people then young people will not be able to clearly understand the fundamental differences between socialism and capitalism, nor will they be able to clearly see the advantages of the socialist system and the many problems to be found in the capitalist system.

We must very carefully study the content and methods of ideological and political education work to be carried out with the people of the Shenzhen SEZ. They

will not be satisfied with abstract propaganda, they demand that propaganda and educational work provide clear explanations to the reality confronting them so that they may solve problems that exist in their minds. For these reasons the content and method of ideological and political education work to be carried out or the people of the Shenzhen SEZ will not be exactly the same as in other regions.

When carrying out this educational work we must integrate its contents with objective reality, we must make it lively and we must base it on facts. We should not gloss over shortcomings in social life in China but instead we should analyze them. The most pressing task in carrying out construction of a spiritual civilization is to change and improve bad phenomena which are to be found today in China. These phenomena cannot be tolerated under a socialist system and they must be changed without fail, for these phenomena that do exist under the capitalist system embody the basic nature of the capitalist system and the capitalist system itself is powerless to overcome them.

[illegible] research on the SEZ

[illegible]tion of the Shenzhen SEZ is something new; we have no past experience [illegible] many problems involved. In order to successfully carry [illegible] the SEZ we not only need the hard work of those working [illegible] we also need many more people to be involved with and to research [illegible] the SEZ. In actual fact, research into most of the questions [illegible] that arise in the construction of the SEZ is done with the help [illegible] from many different sectors in Guangdong Province. There are [illegible] additional comrades who do a great deal of work. However, when [illegible] the questions and problems that need to be examined and researched, [illegible] that research work must be strengthened, and this is particular- [illegible] questions and problems we are having to face are not only [illegible] questions of principle. But instead we need answers and [illegible] concrete problems. Not only must we come to grips with the [illegible] and the problems, we must also come up with suggestions, [illegible] ideas.

[illegible] scientific research work that must be done on problems [illegible] very large, and at present there is a large discrep- [illegible] research capacity and our objective needs. One way of [illegible] is to delegate research and thus entrust the research [illegible] we are not equipped to do ourselves, into the helping [illegible] The delegating will be responsible for all costs [illegible] scientists to whom such research work is entrusted [illegible] their research tasks. I feel that this method of en- [illegible] research work is especially suitable for the Shenzhen [illegible] This idea would, I feel, provide quick solutions to [illegible] researching in the SEZ, and in this way work in the [illegible] on a scientific basis.

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON PRODUCTION, PEOPLE'S LIVELIHOOD

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[Article by Yang Jianbai [2799 1017 4101] and Yang Shengming [2799 5100 2494] of the Economics Institute of the Chinese Academy of Social Sciences: "On the Relationship Between the People's Livelihood and Production Construction"]

[Text]

I

In order to have a new way for our socialist modernization, to quadruple the annual output value of our industry and agriculture by the end of the century, to improve the income of the people in the urban and rural areas, and to provide our people with a materially well-off life, we should have a good coordination between the people's livelihood and production construction on the basis of the 12th Congress.

The relationship between the people's livelihood and production construction in a socialist system is a means-and-end one. The end of socialist production construction is to satisfy the people's ever-increasing need for a material and cultural life. The unceasing development and expansion of socialist production construction is a means to an end. These two things should be linked up with each other organically. They should not be separated from each other, nor should either of them be emphasized at the expense of the other. As Comrade [illegible] says, "First of all, we have to eat. We have to be full. We cannot [illegible]. However, we should not be fed too well. Secondly, we have to [illegible]. A country is hopeless if all of its resources are used up. It is [illegible] promise only when it still has room for construction even after feeding [illegible]" (RENMIN RIBAO 26 Jan 82).

The relationship between the people's livelihood and production construction is [illegible], determined by the universal law of social reproduction. As we all know, the reproduction comprises production, distribution, exchange and consumption. Production is the starting point and consumption is the end, with distribution and exchange lying between them. Production, distribution, exchange, consumption, reproduction, ... they move in endless cycles and they rise in [illegible] spirals. This unceasing but contradictory process has an objective [illegible] which cannot be affected by man's will. Such an objective

inevitability is the universal law of social reproduction. Production creates external objects for consumption and it also creates the size, level, structure and ways for consumption, which in return, creates a main body, object and initiative for production. They are not only mutually dependent, but manually transformable under certain conditions. "There won't be any consumption if there is no production. However, there won't be any production if there is no consumption, for in such a case, production will be pointless." (Marx, "Critique of Political Economy" in Selected Works of Marx and Engels, Vol 2 p. [illegible]). It is clear that socialist production construction, with the people's needs and consumption as its aims, is in harmony with the universal law of social reproduction.

Social reproduction is normally a mere scientific abstraction. In fact, it is substantial, not only formed by various substantial production departments such as industry, agriculture and construction industry, but linked up with various socioeconomic formations. The end of production and the relationship between production and consumption may vary in different socioeconomic formations. They are mainly determined by the nature of social production. In other words, the end of production is determined by the nature of production.

The production means of a socialist state is shared by its laboring masses, who are not only the masters of the country and the society, but the masters of production and the owners of production means. That socialist production and construction should only aim to benefit the laboring masses and to satisfy the people's increasing material and cultural needs is fundamentally determined. The aim of basic socialist economic law is to constantly increase and perfect socialist production, so as to satisfy the people's needs.

When we observe the end of socialist production, we should place our emphasis on the nature of regularity. That is to say, we should emphasize the nature of socialist production as reflected by the end of production. On account of its social and historical background, the standard of living of the laboring masses in a socialist state may be relatively low for the time being. However, it should be noted that the laboring masses have become the masters of the state, and the exploitation of man by man has been basically uprooted. The [illegible] of social development and production is to satisfy the needs of the [illegible] masses, who labor for themselves as well as for their state. They [illegible] the fruits of their own hard work. In this respect, it is obvious and [illegible]tless that a socialist system is superior to a capitalist one.

[illegible] that socialist production and construction, with [illegible] the people's need as its aim, epitomizes the superiority of a [illegible] state.

[illegible] the universal law of social reproduction and the requirements of basic [illegible] economic law, our party, proceeding from the actual situation, has [illegible] and carried out the policy of improving the people's livelihood by [illegible] development. Our party is one which works for the [illegible] proletariat class and the laboring masses. It does not work

for any personal interest. The socialist production and construction led by our party also aims to satisfy the people's needs. One of our party's traditional qualities is that we care about the people's livelihood and we always [illegible] the people's needs. This is also one of our marked differences [illegible]. As early as the second revolutionary movement, our party called to "care about the people's livelihood" even though the revolutionary war was under way vehemently. Comrade Mao Zedong took the improvement of the people's livelihood and the mobilization for the revolutionary war as our party's main objectives. On the eve of the nationwide liberation, Comrade Mao Zedong pointed out in the report made at the second plenary session of the seventh CPC Central Committee that "if we are ignorant of the production work, if we cannot learn it quickly, if we cannot revitalize and redevelop our production work and make remarkable achievement in improving the livelihood of the workers as well as the ordinary people, we will not be able to consolidate our political power, we will not be able to stand firmly and we will fail." (Mao Zedong, 'Report to the Second Plenary Session of the Seventh CPC Central Committee' in Selected Works of Mao Zedong, Vol 4, People's Publishing House, 1966, pp 1318-1319). After the smashing of the "gang of four," the overall task of the new era as proposed at the 3d Plenary Session of the 11th CPC Central Committee is to "speed up socialist modernization and to improve the people's livelihood markedly on basis of rapid development in production." The task is [illegible] tively under way.

In his report at the 12th Congress, Comrade Hu Yaobang made an in-depth analysis on various aspects of the people's livelihood and socialist production construction. He also pointed out that the aim of socialist production construction is to constantly satisfy the ever-increasing material and cultural needs of the [illegible] called for a centralization of capital to carry out key construction to improve the people's livelihood. This is a new milestone in inheriting and promoting our party's traditional qualities and in reaching our party's basic [illegible].

II

[illegible] of material goods is the basis of social development. Man cannot [illegible] material life if such material goods are not produced. In a socialist [illegible], production construction is still the material basis of the people's [illegible]. [illegible] only by developing production can we improve our people's livelihood. [illegible] is the only way. It is a fantasy for some people to ask for high [illegible] with low production. Therefore, it is necessary to earnestly [illegible] production and to raise productivity if we want to improve the people's [illegible].

[illegible] the problem of developing socialist production, we should first [illegible] our party's leadership. Secondly, we should mobilize our [illegible] carrying a revolutionary movement.

[illegible] does not mean that producers and production units carry [illegible] their production programs individually. On the contrary, they should be coordinated and guided. But how are we going to coordinate and guide them?

[illegible] rather than concrete work, production programs should be guided by our party's correct lines, guiding principles and policies. Their soundness can be seen in two ways. First, they soundly reflect the objective law of the development of production and construction. They pave the way for future production construction and set targets for it. Second, they help arouse the enthusiasm of the masses. Numerous historical events have shown that popular feeling ran high and production construction prospered when our party's lines, guiding principles and policies were in line with the above requirements. In the opposite case, the results were entirely different. During the war of resistance against Japan and China's war of liberation, our party initiated a series of major production programs and developed our agriculture, industry and commerce. As a result, not only were our people well-fed and well-clothed, but we also contributed to the victory of the war. After liberation, our party took the lead to revive the national economy and instituted land reform in newly-liberated areas. It took only 3 years for our party to put an end to the [illegible] left over by the old society. The level of social production construction [illegible] rose again to that before the war of resistance against Japan. During the period of the First 5-Year Plan, under the guidance of the [illegible] general line for the transition period, production construction prospered and the standard of living rose prominently. During the time of the "Great Leap Forward" and the "gang of four," owing to the undue influence of "left" deviation, [illegible] the people was dampened and, as a result, production dropped. [illegible] the "gang of four," the national economy gradually [illegible] historic 3d Plenary Session of the 11th CPC Central Committee, in particular, has opened up a new way for economic construction. Remarkable [illegible] scored just within these 3 years. During 1979-1981, the total value of agriculture registered an average annual increase of 5.6 percent, light industry [illegible] percent, heavy industry 1.3 percent, national income 5.1 percent, peasants' income [illegible] percent, laborers' wages 7.9 percent, and the average [illegible] living expenditure by each member of a laborer's family [illegible] percent. [illegible] statistics show that our party's guiding principles and [illegible] the 3d Plenary Session have helped develop production [illegible] brought into play the initiative of the masses, in particular [illegible] millions of peasants. This is a new victory that goes [illegible]. The 12th Congress has prepared for us a blueprint [illegible] modernization, set targets, key-points and strategies for [illegible] and proposed a set of guiding principles and policies [illegible] socialist economy. It has given us an assurance for [illegible] in our production construction. Agriculture, as well as [illegible] industry, commerce, science and education, should follow [illegible] our party. We have to put special attention to the [illegible] stressed by our party, namely, agriculture, energy [illegible] and education. We should also carry out our party's [illegible] implement various policies [illegible] practice thrift and combat waste. Our economic [illegible] the economic results of the country. We should [illegible] technological policies, institute technological [illegible] technological work which has already scored [illegible] management, craftsmanship

and materials. If we strictly put into effect the policies, lines and guiding principles of the 12th Congress, work assiduously and earnestly, give full play to the superiority of socialism, we can surely reach the lofty targets set for the socialist modernization.

[illegible] modernization is the undertaking of the masses. It aims to satisfy the needs of the people. Therefore, production construction should follow the mass line. Everyone should be responsible to and take part in the modernization. Only in this way can our success in socialist production and construction be guaranteed. The relationship between immediate and long-term interests and the relationship between personal interests and those of the state and collective should be properly handled, if we want to bring every factor into play.

In addition, we should be liberated from the fetters of "all eating out of the same big pot" and "the iron rice bowl." Our existing management system does harm to the mobilization of the enthusiasm of localities, enterprises and individuals. It also impedes the development of production construction. We should reform the management of labor, projects, finance, price, resources and foreign trade to mobilize the enthusiasm of various departments, localities, units, enterprises and the masses and to speed up the development of production construction.

Moreover, we should further perfect the structure of the ownership of our production means. The ownership by the whole people is the main body of the ownership of our production means. However, we should improve our managing system, and in particular, establish and perfect a system of laborers' representative assemblies. The laboring masses' sense of being the master should be [illegible]. At the same time, collective and individual ownership should also be [illegible]. In respect to economic development, we should vigorously develop collective economy, not only in commerce, food catering and service trade, but also in industry, and the construction industry. We should urge the masses to start various economic undertakings on the principles of voluntary participation and mutual benefit to serve the needs of the people in urban areas, to contribute to the production by the major industries. This is the main content of the [illegible] of socialist construction. We should let collective economy [illegible] working by the people take off.

III

[illegible] relationship between people's livelihood and production [illegible] properly, resolutions to the following three problems are [illegible]. First, to strenuously advocate an arduous struggle and to [illegible] through thrift and hard work. Comrade Mao Zedong pointed [illegible] contradictory that we make all the cadres and people bear in [illegible] is a great socialist country, while it remains a poor country [illegible]. It takes several decades of toil and labor to enrich [illegible] the practice of strict economy and opposition to any [illegible] of building up the country through thrift and hard work." [illegible] practical meaning in guiding us to open up a new way to a [illegible] socialist modernization.

The end of production construction is to unceasingly improve people's standard of living. However, only when production construction is improved can the people's standard of living be raised. The pace of improvement in the people's standard of living should not exceed the development of industrial construction. We want to quadruple the annual output value of industry and agriculture by the end of the century. It is possible that the people's income will also be quadrupled correspondingly. Suppose we have a population of 1.2 billion by the year 2000, then the average national income per capita can reach about 1,200 yuan, which is a well-off level. In 1980, the average national income per capita was [illegible] yuan. If it reaches 1,200 yuan by the year 2000, that means we will have an annual increase of 6 percent. This also means that the consumption level per capita should by no means exceed 6 percent. However, as the past decade was a period of readjustment and restructuring, the increase in national income and industrial and agricultural production was relatively slow. As a result, the people's standard of living could not be raised greatly. Based on recent economic development, the estimated annual increase in national income will be about 4-5 percent. This means that the amount of increase in national income will be 15 to 20 billion yuan. Suppose the proportion between accumulation and consumption is 3:7, the annual accumulated fund can only increase [illegible] to 6 billion yuan and the amount of consumption will be about 10 to 14 billion yuan. After deducting the needs of the new population from the increase in the amount of consumption, the money that can be used to improve the people's livelihood is only a few yuan per capita. This is the situation of the improvement in the people's livelihood. Anything in excess of this limit would affect the increase in the capital for production construction. From an agricultural perspective, the rise of the people's living standard is basically decided by the pace of agricultural development. If, in the future, our agriculture increases only by 4 percent annually, the people's living standard, after being reducted by the needs of the new population, can only have an annual increase of [illegible] percent. Our agriculture will not be able to sustain any increase that goes [illegible] limit. Therefore, we have to advocate arduous struggle and build up our country through thrift and hard work. Only through several decades of arduous struggle can we realize the four modernizations and greatly improve the people's livelihood.

In the past, while striving for speed we were one-sided and absolute. However, we cannot totally deny the necessity of speed or maintain the slower the better just because we had such problems in the past. We must understand that there is a fixed speed for economic development. If production construction remains dormant for a long period of time, the people's livelihood cannot be improved and a large number of more severe problems will arise. In the face of past lessons, from now on, while striving for speed, attention must also be paid to seeking unity of speed and proportion and of speed and results. We must aim at speed as well as efficiency. We must divert all economic work to the track which aims to enhance economic results.

Finally, to ensure key construction by centralizing disposable capital. Endeavors to speed up production and enhance economic results are the basic resolutions to solve the problems. At the same time, the problem of over-diversified capital must be overcome. In order to hit the 20-year strategic targets, the

state must centralize the capital needed and proceed with key-point construction in accordance with their importance and emergence. If the key point construction is not guaranteed, an infrastructure such as energy and communication cannot be achieved. As a result, the national economy cannot survive, production construction can hardly be developed at a great speed and the people's livelihood can hardly be improved.

In order to centralize capital, the proportion for the distribution of central and local revenues and the proportion for the retained profits of enterprises should be properly adjusted. We maintain that the power of the central government and that of the localities should be separated, and that the autonomy of enterprises should be expanded. However, this must be done appropriately. The state's revenue, which accounted for 37.2 percent of the national income in 1978, was too high. In 1981, it went down to 27 percent, which was too low. As a result, local enterprises became very rich while the state finance was in the red and it had to borrow from the localities and enterprises. We think that this was not a good long-term plan. To demonstrate the advantages of the socialist system, the state must get hold of necessary capital through the redistribution of national income, and centralize the capital for the use of major items, main projects and construction as well as the development of science and education. Over-centralization and over-stringency in management must be properly readjusted. The period of assigning the state's financial power to the lower levels should be 3 years. Now it is time for us to study its reassignment. We hope to make good use of it, to strive for a centralized use of capital and to ensure the demand of key construction.

Financial subsidy and pricing are important aspects affecting the centralization of capital. The amount of state subsidy is growing bigger and its variety greater. The state subsidy in 1981 was 2.7 times that in 1978. The proportion of financial subsidy in the state revenue was 14.3 percent in 1978, 25.9 percent, 32.7 and 42.7 percent for 1979, 1980 and 1981 respectively (including subsidy for prices, enterprise losses and those in foreign trade). According to foreign experience, it is difficult for a state to carry on when subsidy accounts for one-third of the revenue. The large amount of our state subsidy has become a real burden for our state finance. There is an urgent need to make an in-depth analysis on various subsidies. We should continue to subsidize those which need to be subsidized. We should work out a solution to those which need not to be subsidized. This will be beneficial to production construction, as well as to the people's livelihood.

In the past, the prices for agricultural products were too low. This hampered the development of agricultural production and the improvement of peasants' livelihood. After the 3d Plenary Session of the 11th CPC Central Committee, the purchasing prices for agricultural and sideline products were largely raised. Experience has shown that a rise in the purchasing prices is essential. It has facilitated the development of agricultural products and the improvement of peasants' livelihood. However, there exist some problems in the course of implementation. For example, the price-rise of certain agricultural and sideline products was so much that it has upset the demand for reasonable prices in agricultural products. Some localities have lowered the purchase base and

expanded the scope for negotiation and thus indirectly raised prices. In the meantime, various kinds of taxation in the rural areas have been deducted or exempted. This has added much to the financial burden of the state and diversified its capital. From now on, the increase in the peasants' income should rely on the increase in production instead of that in the prices for agricultural products, nor should it rely on the lowering of the purchase base and widening of the scope for negotiation. The price of our agricultural products was too low. But this should be gradually raised through the development of production. To proceed too hastily would be harmful to the overall development and balance.

A steady upward trend may be expected to emerge from the prices in the retail market. To ensure the stability and the gradual improvement of the people's livelihood, the pace of increase of the people's monetary income should exceed that of prices. However, it should not exceed the pace of the increase in productivity. The increase in the average income of workers should be lower than that in productivity. Enterprises should issue bonuses and grant allowances only when both productivity and production increase. The practice of issuing bonuses and allowances indiscriminately should be stopped. Excessive disposal of capital to bonuses and allowances will affect the development of production and subsequently affect the improvement of the people's livelihood. "However, the improvement of the people's livelihood in the rural and urban areas should depend on our efforts to develop production rather than of construction capital which is essential to the state. Otherwise, the basic benefits and long-term benefits of the people will be hampered." (The Yaobang, "Open Up an Overall New Situation in Socialist Modernization Construction," People's Publishing House, 1982, p 15). [as printed]

The purpose of centralizing capital is to ensure the implementation of key construction. The strategic key points of energy and communication, like other basic facilities, belong to the production of production means. In the long run, priority should be given to the development of production means. Our state is undergoing a transition period from manual labor to machine labor; during which priority is given to the production of production means. The [illegible] giving priority to the development of heavy industry is based on the theory that we should give priority to improving our production means. We cannot veto such a policy and its theory simply because a series deviation has occurred in the course of implementing the policy. With the development of production construction, agriculture and light industry are more dependent on heavy industry for the supply of machines and equipment, fuel and raw materials. Agriculture and light industry cannot be developed and the people's livelihood can hardly be improved if heavy industry is not developed. In the long run, only when efforts are made on the development of heavy industry and when agriculture and light industry are equipped with advanced technology can the livelihood of the people be enhanced. However, two points are noteworthy: One is the principle of the proportionate relationship between the two categories. The development of heavy industry should be compatible with that of agriculture and light industry. Our heavy industry cannot be improved if the [illegible] exceeds that of agriculture and light industry. The people's [illegible] can be improved by the development of heavy industry if it aims to serve the needs of agriculture and light industry. Another is the law of

developing heavy industry. The construction period of heavy industrial items in particular is longer. As a result, it cannot follow agriculture and light industry mechanically. Long-term plans for certain industries of basic raw materials, energy, communication and transportation must be arranged as early as possible. Third, to take the production of the means of subsistence as an important strategy. We have stressed the development of heavy industry, but this does not mean that we neglect agriculture and light industry, which are mainly geared to the production of consumer products. Their development ensures the improvement of the people's livelihood. The rise of the people's living standard depends on the growth rate of the national income. The use value depends on the average growth rate of the means of subsistence. Therefore, in order to raise the people's living standard effectively, the production of the means of subsistence must be taken as an important strategy.

Past lessons are that heavy industry developed rapidly while agriculture and light industry developed at a relatively slow speed. The rapid rise of the people's living standard was thus impeded. After the 3d Plenary Session, the proportion of agriculture, light and heavy industries was readjusted and the development of agriculture and light industry was speeded up. The improvement of the people's livelihood was thus ensured. From now on agricultural production will continue to hold the most important position which is the first strategic key point in developing the national economy. Light industry will also be developed vigorously. However, market research must be done and development planned. The blind construction and production of items and products in the past 2 years must be reorganized. The development of light industry must be directed toward the rural markets. The durability of durable goods must also be considered when they are to be produced. After the first round of demands is satisfied, production should be changed progressively. The quantity of demand will become smaller. The problem of replacing products should also be noted and production should not be blindly developed.

In order to harmonize the proportionate relationship between the people's livelihood and production construction, the proportion of agricultural, heavy and light industries should be linked up with accumulation and consumption. The rate of accumulation must be correctly worked out, and the rate of utilizing accumulation must be enhanced to the greatest extent. Henceforth, the development of production construction will need a considerable amount of investment in addition to the improvement of economic results. Nonproduction construction also needs investment. Without capital or adequate capital, production construction cannot proceed and the people's livelihood can hardly be improved. Lessons in the past years are that accumulation rate was too high and there was disproportionate accumulation and consumption. As a result, problems concerning the people's livelihood could not be resolved in the long run. In the end, accumulation rate was forced down and production also slowed down. This incurred great losses to production construction and the people's livelihood. We must strive to maintain the accumulation rate at a relatively stable level. According to statistics gathered from domestic experience in the past 30-odd years and that of foreign countries, it is impossible to maintain the accumulation rate at a fixed point (say 25 percent). However, it is possible and appropriate to maintain it at about 25 to 29 percent.

Finally, we must understand that the rise of the people's living standard depends not only on the pace of production development but also on the growth rate of population. In order to enhance living standard more effectively, it is essential to control the growth rate of population.

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ROLE OF CONSERVATION IN INCREASING STATE REVENUES STRESSED

Chengdu SICHUAN RIBAO in Chinese 15 Dec 82 pp 1, 4

[Editorial: "Strive to Increase Revenues by Cutting Expenditures"]

[Text] More than 80 percent of this province's government revenues come from state-run industrial enterprises. In the process of studying and implementing the spirit of the 12th party congress, all industrial enterprises should treat the accumulation of more funds and guaranteeing the completion of key state construction projects as a realistic undertaking and an important task.

The main way of increasing revenues is to increase production and economic results. Thus everybody understands and accords due importance to the fact that increased production yields increased revenues. A good many enterprises have made major efforts in this respect, achieving excellent results and making a considerable contribution. But the fact that revenues can also be increased by cutting expenditures is generally ignored, and an inadequate effort is made in this area, so that results are minimal. It should be realized that while the enterprises have great potential for increasing revenues by increasing output and must continue striving to do so, there is also great potential for increasing revenues by cutting expenditures, and this must be energetically utilized. The reason is that many industrial enterprises in the province have low management standards and rather primitive production technology, and such important economic and technical in indicators as enterprise fund utilization rate, working capital turnover rate, rate of recovery of fixed capital investments and materials consumption per unit output are below good levels achieved in the past and also below considerably below nationwide averages; the gap when they are compared with progressive industries in pacesetting provinces and cities is even greater. This gap represents potential, and cutting expenditures constitutes utilizing it. The effort to increase revenues by cutting expenditures and to accumulate funds for the key state construction projects is unquestionably a glorious task of every industrial enterprise. We must overcome the old practice of focusing on increased output and neglecting conservation of expenditures as a way to increase revenues, and must make a breakthrough in cost-cutting.

Increasing revenues by cutting expenditures means that by conserving raw and other materials, fuels, power and production expenditures and all

nonproductive outlays, an enterprise increase state revenues. All areas, all departments and all enterprises have many ways of achieving this goal; the key is for the leadership to take it seriously and to rely on the masses. To this end, we must focus on the measures described below, take effective steps, and persist in organizing their implementation.

First, we must strive to decrease consumption of raw and other materials. These are the necessary material conditions for production by industrial enterprises. Expenditures on raw and other materials generally account for about 70 percent of production costs. Decreasing materials consumption has a great effect in increasing financial revenues. The current problem is that many enterprises have high materials consumption figures, which leads to increased production costs and decreased state revenues, but sufficient attention has not yet been paid to the problem. According to an analysis of consumption per unit output of 122 products by the relevant departments, more than half of the average 1981 figures were not up to historic highs. Consumption per unit output of several major products was above the national average. For example, coke consumption per ton of pig iron was 18.4 percent above the national average, yarn consumption per hundred meters of cotton cloth was 3.59 percent above the national average, timber consumption per ton of raw coal was 2.25 percent above the national average, and wood consumption per ton of pulp was 20.74 percent above the national average. Accordnigly, enterprises must strengthen their management of raw and other materials, draw up progressive and rational quotas for materials consumption and stocks, and establish an effective management system for all stages of the process from procurement of materials and storage to issuance, consistently procure good-quality, low-cost materials, buy them at wholesale rather than retail prices, buy lower-priced materials of equivalent quality, refrain from buying and storing large quantities of materials whose supply is assured, buy materials from nearby when possible, and transport them with their own facilities when possible. To summarize, while assuring a normal production process, they must do everything to save on raw and other materials, decrease production costs and increase state revenues.

Second, we must strive to conserve energy resources. Current energy supply-demand conflicts can be resolved by resource development or conservation. There is much that can be done to increase revenues by saving energy. Our province's situation with regard to energy waste in production is rather serious. Where there is waste, there is potential. If energy consumption per 100 billion yuan of total industrial output value could be brought in line with the national average, we would save several million tons of standard coal. All areas, industrial and transport departments and enterprises must give energy conservation top priority and conscientiously work on energy management. They must start by drafting progressive, rational energy consumption quotas, use these to draft energy conservation plans, and implement energy conservation measures. They must implement the techniques of planned energy supply, contracted use levels, and price increases for exceeding quotas. On the basis of province regulations, they must quickly install the three types of utility meters (electric, gas, water), eliminate the system of guaranteeing energy expenditures, and institute payment of expenditures on the basis of recorded amounts. In addition, they must focus

energy conservation efforts on technical modernization and equipment renovation and rely on scientific and technical progress. Without advanced equipment it is impossible to significantly decrease energy consumption and increase revenues by conserving energy. Thus not only is it necessary to continue expanding the use of new, effective energy conservation techniques, but in addition, the scientific research, design and manufacturing areas should all be organized for technical modernization and equipment renovation focused on energy conservation so as to develop effective energy-conserving equipment. Even eliminating some obsolete, energy-wasting equipment in the short term and making use of a certain amount of progressive, energy-saving equipment can produce a considerable breakthrough in increasing revenues through energy conservation and can produce an across-the-board improvement in economic results.

Third, we must strive to decrease enterprise management expenses. A significant part of management expenses is nonproductive public operating expenditures. Because they do not represent a very large portion of total enterprise expenditure, too little attention is generally paid to them, management is lax, oversight is ineffective, and waste is serious. This is a weak link in current enterprise financial management. According to the relevant departments, some enterprises currently have excessive public operating expenditures and spend money at will, resulting in expenditures 2 or 3 times greater than those of administrative units. Some localities and departments engage in unauthorized allocation of enterprise expenditures, thus increasing the enterprises' outlays on management expenses. If local industries throughout the province could, as the state requires, save 20 percent on the public operating expenditures included among enterprise management expenditures included among enterprise management expenditures for a year, this would represent a saving of nearly 50 million yuan, a large sum. Energetically decreasing management expenditures will require strict control of the enterprises' public operating expenditures; all irrational or optional expenditures must be cut down, extravagance and waste must be prevented, and in particular, high spending at year-end and unauthorized stocking of special items covered by state quotas must not be permitted, and all expenditures that can be saved must be saved to decrease production costs and increase accumulation. The state specifies that enterprises may refuse to pay irrational apportionments that are not in accordance with the system. Of course, all expenses necessary for enterprise production activities must conscientiously be paid out in order to expand production.

Fourth, we must energetically implement the system of rewards and penalties. Increasing revenues by cutting costs is an area in which the enterprises should make a major effort to utilize unused potential. Accordingly, when distributing increases in receipts, we must correctly handle the interests of state, enterprises and employees, thus assuring that the state receives more revenue, supporting key production projects, and protecting the rightful interests of the enterprise, while increasing the sums received by both enterprises and employees. In particular, within the state distribution guidelines, enterprises that make a special effort, which have good management and which make a large contribution should have their receipts suitably increased; enterprises which have poor management and make little

contribution should have their income suitably decreased. Further implementation of the principle of rewards and penalties will should be used to encourage the enterprises to improve management in order to make use of potential and increase income.

Thrift is a basic principle of the socialist economy. All industrial enterprises must persistently practice the spirit of the 12th party congress, intensify ideological and political work, instill in their employees a spirit of concern for finances and for increasing revenues by cutting costs, bring into play a spirit of arduous struggle and thrift in all undertakings, be sparing of state assets, accumulate gains little by little as the peasants select millet and barley ears, and stop up sources of extravagance and waste. This is the common task of all industrial departments and enterprises in the province. As part of creating a new situation in socialist modernization, financial departments have arduous tasks and great responsibility for accumulation and distribution of funds; they must bring their functional responsibilities thoroughly into play, actively promote the use of all potential for conservation by industrial enterprises, strictly control expenditures, and accumulate more construction funds for the state.

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NATIONAL POLICY AND ISSUES

ATTENTION TO COMMODITY CIRCULATION URGED

Chengdu SICHUAN RIBAO in Chinese 30 Dec 82 p 3

[Article by Wan Dong [8001 2639]: "Commodity Circulation and Production Are of Equal Importance"]

[Text] Since the 12th party congress, all localities have been discussing and drafting economic development plans and studying how to quadruple total nationwide industrial and agricultural gross output value. This is an extremely gratifying situation, but it should be noted that in drawing up these general plans, some leadershpp cadres are considering only what things their own units can produce and how much they can produce, but are not considering whether there will be markets for the products and have no given thought to strengthening commercial activity in order to adapt to the needs of expanded production. Some of them take account only of the fact that their local marketing avenues are limited and output is low and are not vigorously making circulation stimulate and guide production so as to expand their scale of production. This has raised a problem: we now have a great need to understand correctly the relationship between circulation and production and to make a thorough evaluation of the position and role of commercial activity.

The Marxist theory of reproduction tells us that social reproduction consists of four links: production, distribution, exchange and consumption. Production is the starting point and consumption is the end point, while exchange (circulation) is the intermediate stage between the two. In this situation, production determines circulation, while circulation also has feedback to production. While it is true that without production there cannot be circulation, without circulation reproduction would come to a halt. The principle is very simple: the process of producing commodities is both a process of creating commodity value and a process of consuming various types of old utility value and creating new utility value. After commodity production appears, only commodity exchange in markets is able to replenish the consumption of embodied labor and live labor in the production process so that production can continue. If the products cannot be sold, the value cannot be realized, and production clearly will not be able to continue. Thus if we expand production, we must not consider production alone, but must consider it in connection with circulation. In developing production development

plans, we must also consider marketing conditions and draft expanded commodity circulation plans. Only in this way can we assure that the items produced can be sold smoothly and that their value will be realized, thus assuring continued reproduction. Otherwise, when industrial and agricultural production expand, and the amount of products of various types doubles and redoubles, but the commercial departments cannot procure or sell them and would-be purchasers have no money to buy them, how can production continue? And how can the objective of quadrupling output be achieved smoothly?

The role of circulation in the production process is expressed not only in its providing the conditions for realizing commodity value and assuring the continuation of production, but is also expressed in a major way in its ability to stimulate the development of commodity production through the influence of the market so that the scale of production expands continually. In discussing this problem, Marx said: "When markets expand, i.e. when the scope of exchange expands, the scope of production will also expand and production will become more finely subdivided." ("Selected Works of Marx and Engels," Vol 1, p 102). In the case of our agricultural production, for example, we are currently faced with the problem of limited sources, small scale, and low commodity rates. Last year this province produced an average of only 87.2 yuan worth of excess agricultural and sideline products per person engaged in agriculture. This situation not only restricted the development of light industry and textiles and the improvement of the people's livelihood, but also resulted in a deficiency of agricultural funds, so that it was impossible to expand the scale of production rapidly. How can this situation be remedied? One measure is to energetically develop commerce, speed up and increase the number of circulation channels and expand the scope of exchange in order to promote an expansion of the scale of production and increase output. Development of commerce and expansion of markets can greatly mobilize the peasants' production enthusiasm and open new sources of commodity production, promote the conversion of a larger proportion of rural products into commodities, and change dispersed, piecemeal trading into large-scale commerce dealing in lot amounts. For example, in some mountain districts where transportation is difficult, if certain agricultural and sideline products are not procured by the commercial departments, the peasants decrease their production and try only to produce enough for their own consumption, so that some local speciality products may actually be left to rot in the mountains; but if the commodity departments carry on effective procurement and develop stable markets for these products, this may stimulate the peasants to engage actively in the production or collection of these products. As a result output will expand. Thus it is not difficult to see that the role of circulation is the production process is not imponderable: it plays a major role in the development of commodity production which must not be underrated.

In socialist society, the feedback from circulation to production is also expressed in its ability to guide production and cause it to progress in accordance with the basic laws of socialism. We know that the production [illegible] socialism is to satisfy the ever-increasing material and cultural needs of all members of society. But because of social division of labor, it

is rather difficult for the production units to determine what society wants and how much of it. As production expands and society develops, the social consumption structure continually changes and the level of consumption continually rises, and it becomes more difficult for the producers to respond to changes in market needs. Frequently the following happens: some market is already saturated with some product, but the plants are still expanding their production of it, while some products are already outdated but some localities are energetically building new plants of the same type. The result is that production and consumption are out of step and there are large commodity overstocks. Incomplete statistics indicate that in the first half of this year the losses in this province resulting from the cut-rate sale or scrapping of overstocked means of production for hardware and communications and telecommunications products amounted to more than 44 million yuan. To decrease losses resulting from this kind of disproportion between output and demand, we must make use of the ability of commerce to guide production. Commerce is the intermediate link which joins production and consumption and it has major influences on production units, as well as on the consumers. Thus it affects a wide area, carries information rapidly, and is capable of picking up economic information and market information quickly. If the commercial departments report this information in timely fashion to the production units, they will be able to induce the production units to change their production plans, adjust their structure and scale of production, and produce products which are in accord with society's needs.

In discussing the importance of circulation, "Das Kapital" revealingly points out: "Circulation and production are equally important in commodity production." In the socialist stage, when commodity production and exchange exist, this statement is undoubtedly applicable. Therefore we must strive to realize the strategic objective of quadrupling output, but we must also be fully mindful of Marx's teaching and completely reject the erroneous approach of stressing production and undervaluing circulation; we must accord equal importance to circulation and production.

PROBLEMS IN COMMODITY CIRCULATION DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 3 Jan 83 p 3

[Article by Yan Zelong [7346 3419 7893]: "What Are the Causes of Problems in Commodity Circulation?"]

[Text] There are now some problems in the sphere of commodity circulation. However, in discovering their causes, we cannot confine our observation to commerce alone.

Two Independent Systems of Production and Circulation As the Cause

For a long time, socialist countries have paid insufficient attention to the question of circulation. Since we have all this time adopted the system of planning with production as the central task, production and circulation have been managed as two independent systems. The production enterprises only stressed output, output value and profits, and had no direct responsibility for supply and demand on the market. They knew nothing about the overall trend on the market, and among the products they have produced according to plans, there was always a portion whose specifications and models (not to mention the problem of quality which the industrial departments were in a position to solve) were unsuitable for market demands, even though production of these products had to continue nevertheless. The use value of this portion of products could never be realized, and this means a waste of productive labor. As state organs, the commercial departments had difficulty in freeing themselves from the restrictions of administrative zones. Thus the irrational links of circulation and the inefficient management again brought serious loss of commercial labor. This is still the basic cause of "good news from industry, sad news from commerce, overstocking and poor revenues."

Impossibility for Fictitious Numerical Data To Be Scientifically Confirmed

The ratio of production to capital and the increase in accumulation were originally the decisive factors in the increase of productivity. However, if we do not reckon from the final result of circulation, that is, the actual proceeds of sales, then some benefits, which may be real for the production units, are fictitious to the entire national economy. There has recently been a very great increase in people's savings deposits, and this increase should be to advantage to the national economic development. However, it cannot be de-

denied that quite a large portion of the increase in savings deposits reflects the difficulty of people in buying the commodities they urgently need. If this situation remains unchanged for a long time, the advantage may become harmful. For a socialist country, therefore, if production and circulation cannot be assessed as an organic entity, the fictitious numerical data cannot be scientifically confirmed.

Expected Benefits To Be Decided by Results of Circulation

Currency inflation is a difficult problem which has worried almost all countries in the world. In socialist countries, commodity prices are under the unified control of the state; some commodities are simply transferred among different departments instead of being exchanged on the market; and state subsidies are granted in large amounts for certain commodities which are essential to the people. Things are not so much out of control as they are in capitalist countries. However, the irrational prices and the ever increasing subsidies from the state for the losses incurred as a result of these prices cannot help but become a source of worry and anxiety for the departments concerned. The causes of currency inflation are complicated; but if we will summarize the main factors in times of peace, we can say that they all boil down to the fact that our investments do not yield the expected returns. In capitalist countries, this means that they cannot recover their money or increase their profits; for socialist countries, this means difficulty in increasing financial revenues. However, the expected returns are decided not only by production itself but also by the accomplishment of circulation, which Marx called the "final accomplishment." The economic stagnation which the western countries are now unable to overcome is apparently not caused by the stunting point in production and inadequate productive forces, but rather by the [illegible] point in production or the marketing crisis. The contradictions in the relations of production which western countries cannot resolve is only [illegible] reforming the management system in socialist countries.

Marx's Opposition to the Arbitrary Separation Between Production and Distribution

[illegible] socialist countries place the work of circulation in its proper [illegible] I think this has something to do with Marx's theory that "production [illegible] circulation." Political economy is a historical science. In [illegible] the vulgar bourgeois economists for their view that production [illegible] emphasized in political economy at that time, Marx pointed out the [illegible] position of production in these two respects: First, in the relations [illegible], "ne[illegible]ange is predicated on new production"; and second, [illegible], exten[illegible] modes of exchanges are all decided by the development [illegible] of production," because "the activities of production are the [illegible] of reality and therefore an important factor for the dominant [illegible] by reality." However, this does not mean that in the course [illegible] production, circulation can only play the passive roles of pur[illegible], transferring and stocking. On the contrary, Marx described [illegible] the relationship between production and circulation. He held that [illegible] could also be an important factor in production, and that produc[illegible], [illegible]change and consumption are different components of a

[illegible]ified whole or an organic whole in which the different components act [illegible]n, depend on, and are indispensable to one another. He opposed the arbitrary separation between production and distribution saying that the basis [illegible] the statement that distribution is of equal importance was "precisely an economic interpretation of the independent sphere of distribution which [illegible] an equal rank with production."

[illegible]duction and Circulation As the Key to the Demonstration of Socialist [illegible]eriority

[illegible]duction is the start, while consumption is the end as well as the start [illegible] another process of production. Exchange or circulation is the intermediate link between production and consumption; and the level of consumption and the scope of exchange have a decisive effect on production. Capitalists [illegible] for profit, but profit, which is surplus value obtained in the [illegible] of production, can only be realized through circulation. We produce to meet people's needs, and, similarly, our purpose can only be accomplished through circulation and exchange. There is no difference in the process of [illegible]. In our country, a controversy has been going on for a long time in the economic circles on whether commodity economy, product economy or "product economic with some commodity characteristics" exists under socialism. These [illegible]eptual differences do not alter the fact that the final goal of the [illegible] industrial production (possibly with the exception of military industrial production) and part of agricultural production must be attained through exchange and monetary settlement, despite the differences in pricing [illegible] transfers and for selling on the market. It is no longer any secret that many state-run enterprises are exchanging the materials which the state has distributed to them and which they do not want, for other things [illegible] other enterprises. With the exception of grain and edible oil supplied [illegible] the cities under a semblance of communist mass supervision and statistics, [illegible] distribution of products is still a very distant goal. Therefore, [illegible] law of the general cycle of production-circulation-increased value-[illegible] reproduction should still be observed. In this general cycle, all [illegible] are dependent and acting upon one another, as Marx said. In other [illegible], in the course of production and exchange, the freedom of or obstruction [illegible] in any link will affect the movement in the other links. The in-[illegible] industrial and agricultural production, the importation of advanced [illegible], [illegible]ement of people's livelihood and the change in their [illegible] has brought about changes on the demand for products of the first [illegible] categories. These changes, together with the changes in the urban [illegible] economic structure, in people's income and in other factors cannot [illegible] affect the form and scope of circulation. On the other hand, these [illegible] avoid their clash with the old convention in production whereby [illegible] remains unchanged in 10 years." Therefore, only through smooth [illegible]ated circulation at all links can we smoothly develop production, [illegible] standard of living and arouse the people's initiative in production [illegible]. These are the main features of socialist super-[illegible]

[illegible] been produced and in any quantity and [illegible] to the law of economic development. The contradiction ha[illegible]

not become prominent only because the people's standard of living is still low and the national economy is not yet free from the effects of self-sufficiency. Now is the time for the sphere of circulation to take its place in an important link in the organic entity.

941.
CSO: 4006/227

'BAN YUE TAN' DISCUSSES CONTRACT LABOR SYSTEM

HK110407 Beijing BAN YUE TAN in Chinese No 4, 25 Feb 83 pp 16-18

[Article: "'Answers to Readers' Questions on Contract Labor System"]

[Text] Editor's note: At present, many areas including Beijing, Shanghai, Guangxi, Jiangsu, Anhui, Gansu, Jilin and others are trying out the contract labor system. Many readers' letters have asked questions relating to this topic and thus we have asked the Labor Planning Bureau under the Ministry of Labor and Personnel to provide some answers to these questions. [end editor's note]

1. What is the contract labor system?

The contract labor system is a kind of employment system, and a characteristic of this system is that when a unit recruits a worker, it signs a contract with him or her, specifying the duties, rights and benefits of both parties.

2. Why are we pilot-testing the contract labor system?

The system of employment with permanent workers as its mainstay as presently practiced in China has the defect of "the iron rice bowl." A similar defect also exists in the distribution system, referred to as "everybody eating from the same big pot." Together, these defects have caused serious consequences as expressed in the fact that some people who have come to refuse to go out, those who have gone up refuse to come down, those who should be transferred refuse to move, everyone gets the same pay regardless of whether, how much or how well each one works. The result is that the principle of "from each according to his ability, to each according to his work" cannot be successfully implemented while at the same time the workers' enthusiasm is dampened. The progress of science and technology hampered and the development of the productive forces hindered.

The aim of testing the contract labor system is to try and shatter the "iron rice bowl" and thus overcome the defects of the system of employing permanent workers. Under this contract labor system a work unit selects, promotes, downgrades or dismisses a contract worker according to the conditions of production and [illegible] other factors. A worker has, within a certain scope, the freedom to choose his profession according to his specialty, likes and

aspirations. The society may make unified arrangements for the labor force according to state planning. Thus this system is of benefit to the rational and economic use of the labor force while at the same time it allows people greatest expression of their abilities and provides greater exploitation for such abilities, and through this it is possible to implement the principle of "from each according to his ability and to each according to his work." At the same time the workers' enthusiasm is aroused and the economic results and work efficiency of work units adopting the system will rise significantly, thus promoting the development of production construction.

3. Which work units is the labor contract system suitable for?

The testing of the contract labor system is suitable for state-run work units, collective units of a regional or county level or above, enterprises, businesses and organizations, including all industrial and technological undertakings.

4. It is true that the original system of employment with permanent workers is going to be totally replaced by the contract labor system?

Present conditions in China suggest that for a period of time to come, it is desirable to practice a new system for new workers and to stick to the old system when dealing with veteran workers. That is, to practice the contract labor system when recruiting new workers and to carry out the existing system in dealing with workers who have been employed for some time. However, the existing system should be reformed when necessary and where possible. The strong points of the new system should be displayed to lead the old system to a complete reform so that the whole contingent of staff and workers will gradually change to practicing the contract labor system.

5. What is involved in the labor contract?

The characteristic of the contract labor system is the mutual integration of duties, rights and benefits, and at the very heart of the system lies the contract responsibility system. The labor contract should clearly specify tasks to be performed, the term of employment and other conditions concerning wages, insurance, welfare, labor discipline, safety measures and termination of contract, as well as the responsibility for breach of contract and other rights and obligations to be borne by both parties. A contract takes legal effect as soon as it is signed and it must be strictly observed by both parties concerned. Whichever party violates the contract must bear legal responsibility.

6. How does one go about signing such a contract? What are the time restrictions on such contracts?

The contract must be signed by both the employing work unit and the worker concerned. The contract should be signed in accordance with the state's laws, decrees and policies concerned and on the principle of voluntary participation, fairness and reasonableness. Long-term contracts or contracts for a specific

period of time (such as 3 to 5 years) may be signed for positions of production or other work which is carried out throughout the year. Contracts for work to be done on rotation may be signed on jobs in connection with poisonous or injurious materials in enterprises and mines. A contract may be renewed or extended when required by production or work and if the worker has performed his or her duties well.

[illegible]. Some people say that the contract labor system is a return to the days of wage labor. Is this true?

[illegible] opinions are incorrect. Wage labor is a manifestation of the capitalist production system and is based on the private ownership of the means of production, thus the capitalist was able to squeeze all surplus value out of the worker. What resulted was a relation of man exploiting man.

The contract labor system now being implemented is based on the public ownership of the means of production and is aimed at smashing the "iron rice bowl" and the phenomenon of "everyone eating from the same big pot," with the result that the workers' enthusiasm will be activated and production liberated. Thus the system manifests itself in the mutual concern of state, collective and individual interests with labor relations characterized by mutual harmony between men.

[illegible]. Some people seem to confuse the contract labor system with the temporary duty system that was practiced in the past and thus fear that workers under the system cannot trust in their work, have no livelihood guarantees, and so on. What is the best way to correctly handle this problem?

[illegible] concern is totally unnecessary. The temporary duty system that was practiced in the past had many shortcomings and the present contract labor system not only no longer has these shortcomings, it is in addition much richer in its contents in other areas. For example, under the contract labor system the workers enjoy social insurance, there are labor service companies [illegible] administrative organs and the workers are insured against illness, [illegible] and old age. Workers who have signed contracts for year-[illegible] positions of production (temporary or seasonal production or [illegible] production which still include seasonal or temporary work) are [illegible] relative stability of work. Thus there are enormous differences between the new system and the old temporary duty system.

[illegible] workers and permanent workers equal in political and [illegible]?

[illegible] and permanent workers have the same political status [illegible] constituent parts of the working class. Contract labor [illegible] the same as permanent workers when applying for CPC, CYL [illegible] membership as well as when they participate in cultural, voca-[illegible] studies. Contract labor workers are paid according to [illegible] they enjoy equal pay for equal work. They may earn [illegible] than permanent workers by doing more work, working efficiently

and making their work produce better economic results. Wages change according to what the work is, what the wages for that work are and changes in position.

10. Can a work unit fire contract labor workers at will?

No, hiring comes under planned administration, taking into account overall planning and organization in both urban areas and the countryside. Work units should hire contract labor workers according to their production directives. Those work units which are not included in state planning or have exceeded state planning cannot hire workers. At the time of hiring, work units should try and choose from those people seeking jobs in towns and cities. That small number of state-run enterprises and units which may need to employ peasants as contract labor workers should apply for ratification from their urban, provincial or regional government.

CSO: 4006/356

ECONOMIC MANAGEMENT

IMPROVEMENT ACHIEVED IN HEILONGJIANG'S FOOD, BEVERAGE INDUSTRIES

Harbin HEILONGJIANG RIBAO in Chinese 11 Jan 83 p 1

[Article by Liu Dianyou [0491 3013 0645]: "Most State-Run Restaurants Throughout the Province Have Implemented the Responsibility System"]

[Text] Last year, 679 accounting units in the food and beverage service industry throughout the province have already implemented the economic responsibility system, which was 58.3 percent of the total number of accounting units. Practice has proved that the majority of the units which have implemented the economic responsibility systems have provided more income for the state, more retained profit for the enterprise and greater gains for the individuals in their units. Better economic results have been achieved in 70.5 percent of the units.

Food and beverage service enterprises throughout our province began implementing the economic responsibility system in the last half of 1981. At that time, they encountered obstructions in many areas. There were those within the industry who feared that a mess would be made that could not easily be straightened out and who were wary of workers receiving greater rewards; those outside of the industry were critical of workers receiving greater rewards, calling it a case of their eating up state profits, and some even went so far as to insist that certain shortcomings in our work are evils brought about by implementing the economic responsibility system. State run restaurants in many places throughout the province have broken through these obstructions and implemented various forms of the economic responsibility system. Some large and middle-sized city enterprises have adopted a profit-contract system, with distribution of over quota profits and no penalties; some have adopted a system of distributing total profits, with penalties for those who suffer losses; and some have adopted a profit-contract system, with above quota profits retained and used by the enterprise and no penalties; and there are plans for units which suffer losses to adopt loss-contract systems, with the amount of reduced loss to be distributed and penalties for increased losses. Those restaurants with fewer than [illegible] employees and an annual volume of business of less than [illegible] yuan are adopting the method of state-owned collective operation, independent accounting, democratic management, with a fixed amount of profit to be turned over to the state and the enterprise itself responsible for profits and losses. Very small establishments in frontier areas run by a handful of people are carrying out individually or collectively decentralized contract operations [illegible] with the shop as commission agent selling goods on commission, with a fixed amount of profit to be turned over to the state and the establishment responsible for profits and losses.

Since implementing the economic responsibility system, we have taken initial steps in overcoming the improper practices of observing the "iron rice bowl" and eating out of "one pot of rice," have mobilized the enthusiasm of the masses and have hastened reforms in economic management and improvements in the quality of service. The Shanhe Restaurant in Wuchang County, which implemented the economic responsibility system fairly early on, turned losses into profits that same year, and, in the three years since then, its operations have stabilized and profits turned over to the state have increased. In 1981, the food and beverage service industry in Longjiang County lost 53,000 yuan. In 1982, they implemented the economic responsibility system and by the end of November they had already turned over 84,600 yuan of their profits to the state.

The Provincial Service Bureau recently convened a conference to exchange experiences in Xuangcheng County at which directors of local, municipal and county service bureaus and enterprise managers exchanged experiences in carrying out the economic responsibility system and laid plans for the state-run food and beverage service industry throughout the province to continue in 1983 to carry out and perfect the economic responsibility system.

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[illegible]

ECONOMIC MANAGEMENT

METHODS FOR COMPUTING ECONOMIC RESULTS INTRODUCED

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 11, 20 Nov 82 pp 31-33

[Article: "Methods for Computing Economic Results According to 16 Indexes"]

[Text] In April this year, the State Economic Commission, State Planning Commission, State Statistical Bureau, Ministry of Finance, State Labor Bureau and the People's Bank of China jointly issued the "Detailed Rules and Regulation for Issuing Periodical Announcements on the Main Indexes of Economic Results." For the sake of uniformity, the State Statistical Bureau and the Ministry of Finance issued Document No Tonggong-140 (82) containing the Methods of Computing Economic Results According to the 16 Main Indexes." The text of the document is as follows:

1. Total industrial output value and the growth rate. Total industrial output value is the expression in the form of value of the total volume of products produced by the industrial enterprises. According to the current statistical system, total industrial output value is calculated with the "factory method," that is, in each enterprise, only the final product of industrial production is counted. There should be no duplication in the enterprise, and the results of production by various workshops should not be added together. To eliminate the effects of price changes in different periods and to ensure that the data of the total output value in different periods, different localities and between plans and statistics can be compared with one another, a constant price, besides the current price, can be used. Since liberation, we have adopted the constant prices of 1952, 1957, 1970 and 1980. Since 1 January 1982, we have all used the 1980 constant price for calculations. The statistics covers all industrial enterprises.

The growth rate is shown in percentage. The formula of computation is as follows:

Growth rate of total industrial output value

$$= \left(\frac{\text{Total industrial output value in report period (based on 1980 constant price)}}{\text{Total industrial output value in base period (based on 1980 constant price)}} \right) \times 100 \text{ percent}$$

(This formula can also be used to work out the growth rates in several indexes in the following.)

2. The completion of plans for the output of main industrial products. This is used to reflect the production of the main industrial products according to state plans by different localities. The index to be adopted: the proportion of goods actually produced in fulfillment of the plan for the output of the main industrial products. The formula for computation is as follows:

Proportion of goods produced in fulfillment of production plans for main industrial products

$$= \left(\frac{\text{No. of varieties produced in fulfillment of plan}}{\text{No. of varieties designated for inspection}} \right) \times 100 \text{ percent}$$

The "Detail Rules and Regulations" contain specific instructions on the way to inspect the varieties of products.

3. Rate of steady improvement in the quality of main industrial products. This is mainly used for reflecting the trend (upward or downward) of the product quality. The formula for computation is as follows:

Rate of steady improvement in the quality of the main industrial products

$$\frac{\text{Levelling off for improved quality index}}{\text{No. of quality indexes designated for inspection}} \times 100 \text{ percent}$$

4. Rate of reduction in the consumption of raw materials, fuel and power for main industrial products. This is for reflecting the reduced (or increased) per-unit consumption of raw materials, fuel and power. The formula of computation is:

Rate of reduction in consumption for main industrial products

$$\frac{\text{Levelling off or lowered consumption index}}{\text{No. of consumption indexes for inspection}} \times 100 \text{ percent}$$

According to the stipulations in the "Detailed Rules and Regulations," the comprehensive computation method with multiple indexes is to be used for items 3 and 4. It should be noted that the number of consumption indexes for inspection should roughly reflect the changes in the quality of main industrial products and the consumption required in a locality. The "Rules and Regulations" also stipulated that when the relative change of a single index is equal to or less than 0.5 percent, it is considered as levelling off; over 0.5 percent, it will be either improvement or deterioration. The so-called relative change refers to the numerical value of the index in the report period divided by the numerical value of the index in the base period and then multiplied by 1,000; but not the difference between these two numerical values. This method of computation is specially intended for Items 3 and 4.

[illegible]. The percentage of fine-quality industrial products. This reflects the [illegible]crease in the quantities of those goods which have been rated by the State [illegible]omic Commission and the various departments under the State Council and [illegible] the province, the municipality or the prefecture as being of fine quality. [illegible] formula for computation is as follows:

[illegible]ercentage of fine-quality industrial products

$$\frac{\text{Fine-quality output value}}{\text{Total industrial output value}} \times 100 \text{ percent}$$

Fine-quality output value = Fine-quality output value x unit price.

[illegible] output of fine-quality products refers to the output of those which have [illegible] formally named by the State Economic Commission, the ministries of the [illegible] government, the province, municipality or regions, and given certifi-[illegible]ates as fine-quality products; but not to the output of those matching the [illegible] for fine-quality goods. It refers to only the products [illegible]ns and models which have been awarded fine-quality [illegible] but not to all the products produced by the same enter-[illegible] output of the enterprise producing the raw materials, accessories [illegible] parts for the fine-quality products is not included. The price refers [illegible] price of 1980, but not the current wholesale price or retail [illegible]. The total industrial output value refers to the total industrial out-[illegible] in the industrial enterprises of a locality, but not the total [illegible] output value of the enterprises producing the fine-quality products.

[illegible] energy consumption for the output value of every [illegible] used to reflect the utilization or waste of energy in [illegible]strial production. The "Rules and Regulations" stipulate that the scope [illegible] industrial enterprises consuming more than 50,000 [illegible]ar. The formula of computation is as follows:

[illegible] for every 10,000 yuan's output value

[illegible] value

[illegible] for each 10,000 yuan's [illegible] output value during report period

[illegible] x 100 percent

[illegible] for each 10,000 yuan's [illegible]

[illegible] consumption, while a negative [illegible]

7. [illegible] increase in the proceeds from the sales of industrial enterprise products. The proceeds from sales are an important index reflecting the conditions of sales by industrial enterprises. Combined with other relevant indexes, [illegible] help to analyze the business results of the enterprise and show whether its goods can be easily sold. Sales proceeds include the income from the sales [illegible] finished and semifinished products as well as from the business of an industrial nature. The increased income from cigarette factories from increased cigarette prices is also included.

8. Rate of profit increase for industrial enterprises. The profit here refers to the total profit. The profit realized is an important index comprehensively showing the production and business activities of an industrial enterprise. At present, for the sake of comparison with previous data, we are adding together the total profit before the subsidy quota, the fixed funds used, and the circulating funds used (not including the fixed funds and circulating funds used in the enterprises which are paying taxes in lieu of handing in their profits to the state).

9. Rate of increase in profits handed in by industrial enterprises. Profits handed in, or paid into the government treasury, refers to the profits to be [illegible] and to be included in the budget. Only those actually received by the treasury are accounted for. The profits handed over by the enterprises [illegible] important component of the state's budgeted income. In calculating the profits to be handed over for the budget, we have to add together the profit handed over and included in the budget, the fixed funds used, the circulating funds used and the income tax paid by the enterprises which have [illegible] taxes in lieu of turning in their profits (including resource [illegible] taxes), for the sake of comparison with previous data. [illegible] change in the affiliations of the enterprises (such as [illegible] industrial enterprises to state industrial enterprises), [illegible] period of the previous year should be readjusted [illegible] existing affiliations.

[illegible] tax on the output value and rate of increase. The [illegible] and tax on output value refers to the profit and sales tax [illegible] output value. The higher the value of the [illegible] consumption of labor and material. The formula [illegible] follows:

[illegible]

$$\frac{\text{[illegible] + sales tax}}{\text{[illegible] output value}} \times 100 \text{ percent}$$

[illegible] price)

[illegible] profit and tax

[illegible] period - profit-tax rate in same [illegible] previous year)

11. Sales from income tax rate of industrial enterprises and rate of increase. This shows the amount of profit for every 100 yuan's sales proceeds. The formula of computation is as follows:

$$\text{Sales income profit rate} = \frac{\text{Profit realized}}{\text{Sales income}} \times 100 \text{ percent}$$

Rate of increase in sales income profit rate

= sales income profit rate in report period - sales income profit rate of same period in the previous year.

12. Number of days for the turnover of fixed circulating funds for industrial enterprises and rate of acceleration. This is one of the important indexes for evaluating the use of enterprise funds and the result of business operation. The number of days required for the turnover of fixed circulating funds is the number of days required for a complete turnover of circulating funds in industrial enterprises. The formulas for computing the number of days for the turnover of circulating funds are as follows:

No. of days for circulating funds turnover in a month

$$= \frac{\text{Monthly average balance of fixed circulating funds}}{\text{Monthly sales income}} \times 30$$

No. of days for circulating funds turnover from 1st to x month

$$\frac{\text{Average balance of fixed circulating funds for 1st to x month}}{\text{Total sales income from 1st to x month}} \times \text{ttl no. of months} \times 30$$

No. of days for circulating funds turnover in a year

$$\frac{\text{Average balance of fixed circulating funds}}{\text{Annual sales income}} \times 360$$

Average monthly balance of fixed circulating funds

$$\text{Average monthly balance at end of month} \div 2$$

Average monthly balance of fixed circulating funds from 1st to x month

$$\frac{\text{Average monthly balance at end of month}}{\text{Total number of months}}$$

Annual average balance of fixed circulating funds

[illegible] Sum of all monthly average balances ÷ [illegible]

Rate of acceleration in No. of days for turnover of fixed circulating funds

$$= \left(1 - \frac{\text{No. of turnover days in report period}}{\text{No. of turnover days in base period}}\right) \times 100 \text{ percent}$$

A positive result of the computation shows the acceleration of the turnover; a negative result [illegible] reduction in the speed of turnover.

[illegible] Amount of finished product funds of industrial enterprises and the rate of its reduction. Finished product funds are the funds tied up by finished products which have been stored in warehouses after the acceptance checks and are [illegible] (though not yet sold). These funds are computed according to the production costs. If the enterprise has already sold these products but not yet instructed the bank to collect the money on its behalf, the money should not be included in finished product funds. This is an important index for [illegible] changes in the total volume of finished products in [illegible] for determining whether these products can be easily sold.

[illegible] Production costs for comparable products and rate of reduction. [illegible] means those which have been produced in the previous [illegible] being produced in the current year. Reduction of production costs for comparable products and rate of reduction are important [illegible] savings from material and labor consumption. Since the [illegible] comparable products are based on current prices, this [illegible] of price changes.

[illegible] Total production [illegible] of the previous [illegible] products.

[illegible] comparable products

$$= \left(1 - \frac{\text{[illegible] of production costs of comparable products}}{\text{[illegible] of comparable products}}\right) \times 100 \text{ percent}$$

[illegible] comparable [illegible] means increased production [illegible] products.

[illegible] profit and [illegible] circulating [illegible] products [illegible] included in the budget.

[illegible] used to show [illegible] formula for comput-[illegible]

[illegible]

[illegible] report period

[illegible] report period

[illegible] workers and the workers not included [illegible] number of personnel refers to [illegible]

[illegible] industrial enterprise workers [illegible] index reflecting safety in [illegible] refers to the number of [illegible] enterprises suffering heavy or fatal [illegible] the number of these injuries [illegible] the scope of statistics [illegible] the county level owned by [illegible]

[illegible] percent

[illegible] percent

[illegible]

FINANCE AND BANKING

AMOUNTS IN SAVINGS ACCOUNTS SAID TO BE ON RISE

Beijing [illegible] RIBAO in Chinese 11 Jan [illegible]

[Article: "Savings Deposits in Urban and Rural Areas Throughout the Nation Have Reached the Highest Level Ever--Total Deposits at the End of Last Year Exceeded Those at the End of 1981 by 28.97 Percent"]

[Text] Savings deposits in rural and urban areas throughout the nation in 1982 continued to rise, reaching the highest levels ever. According to statistics of the People's Bank of China, at the end of 1982 the total amount in savings deposits in urban and rural areas throughout the nation reached 67,588,000,000 yuan, an increase over the amount of savings at the end of 1981 of 15,169,000,000 yuan or 28.97 percent.

At present, the average per capita savings deposit in urban and rural areas throughout the nation is 67 yuan, an increase of 14 yuan over the average per capita savings deposit at the end of 1981. Of fixed savings deposits, 50 percent are long term deposits of three years or more. The numbers of those holding savings continues to expand. The number of savings accounts in cities and towns alone has reached 1[illegible] million, an increase of 35 million over the beginning of last year.

The increase in savings deposits in rural and urban areas in 1982 has played a tremendous role in increasing the availability of credit funds and in [illegible] of credit.

In order to make it convenient for the masses to hold savings, people's banks, agricultural banks and credit cooperatives in every area have continued to expand the savings network. In cities and towns alone in 1982, 2,052 new savings [illegible] were built.

FINANCE AND BANKING

SYMPOSIUM ON QUESTIONS OF COMMERCIAL CREDIT HELD IN JILIN

Beijing ZHONGGUO YINHANG [CHINA'S BANKING] in Chinese No 24, 19 Dec 82 pp 22-23

[Article: "Summary of Discussions on Questions of Commercial Credit"]

[Text] The Banking Research Institute of Jilin Province and the commercial credit department of the People's Bank recently held a symposium on the questions of commercial credit. The proceedings at the meeting are summarized as follows:

1. The Question of the Concept and Scope of Commercial Credit

On the concept of commercial credit, there were three different interpretations during the discussions: first, credit in the form of commodity or money between enterprises; second, credit in the form of commodity among enterprises; and third, delayed payments in commodity transactions for a certain period during which commodity and money are detached from one another.

At present, the scope of commercial credit mainly covers: (1) earnest money or down payment; (2) credit sales (including the transfer of commodities and materials from state-run enterprises to the factories or stores run by internal units); (3) compensatory trade; (4) buying and selling on commission; (5) delayed receipts or payments in settlement of accounts on others' behalf (regular receipts or payments of this type not included); and (6) temporary loans among enterprises. (This does not agree with the second interpretation.) The second interpretation held that temporary loans among enterprises should not be included as commercial credit, and that even delayed receipts or payments in settlement of accounts on others' behalf and buying and selling on commission cannot be treated as commercial credit.

2. The Question of Special Characteristics of Our Present Commerical Credit

First, [illegible] the occurrence of commercial credit is large; and it [illegible] and involves fairly large sums of money.

[illegible], it was used only sporadically; [illegible], and many enterprises are using it as a regular [illegible] business.

[illegible], commercial credit has become a means of competition in commodity [illegible].

Fourth, commercial credit and bank credit are interwoven.

[illegible] Commercial Credit

[illegible] related to a commodity economy and develops [illegible] of a commodity economy, since as long as a commodity economy exists, the existence of commercial credit will be inevitable.

[illegible] management is run under the principles of [illegible] diversified economic forms with the state sector in the dominant position, and of the leading role of planned economy and the supplementary role of market regulation. This is a decisive factor in the foundation for the existence of commercial credit; that is, with bank credit [illegible], the supplementary role of commercial credit should be [illegible] into play. With the increase in their decisionmaking power, [illegible] have the right to distribute their products. This makes [illegible] commercial credit objectively necessary.

[illegible] situation from the standpoint of economic readjustment, the huge stockpiling of unwanted goods and the tying down of [illegible] is a great handicap to production. It will be difficult for bank credit to meet the actual needs. This affords a good opportunity for [illegible].

[illegible] agreed that commercial credit is suitable for economic development and can hardly be dispensed with for quite a long time.

[illegible] Attitude Toward Commercial Credit

[illegible] credit in our country at present has a dual [illegible] positive [illegible], it also has its negative [illegible] the planned economy. [illegible] control its negative [illegible] toward commercial [illegible] and (3) guidance. [illegible] and with bank [illegible] the [illegible] present, this flexibility means the clearing [illegible] as required. In the [illegible] existence [illegible] supplementary role of [illegible] credit inevitable.

[illegible] credit [illegible] it weakens [illegible]

[illegible] hinders economic readjustment; [illegible] financial receipts and payments [illegible] tion. [illegible], while advocating its controlled [illegible] that the present commercial credit should be [illegible] gradually so that it will be gradually [illegible] credit. [illegible] basis of readjustment and guidance, [illegible] will gradually be replaced by bank credit.

[illegible] utilizing commercial credit are: [illegible] state policies and decrees; second, [illegible] and the supplementary role of commercial [illegible] itself; third, commercial credit should help [illegible]; fourth, it should be confined within a certain [illegible] and advances should be limited.

[illegible] commercial credit in the [illegible] matter of policy, credit sales, advance payments, [illegible] credit in the form of commodities among the [illegible] permitted; (2) in the settlement of accounts, we must [illegible] and strengthen the control while at the same time [illegible], support and cooperation to the enterprises; and [illegible] credit transactions, bill discount and other services, [illegible] for commercial credit.

[illegible] question of commercial credit, some [illegible] legislation for the adoption of a banking law [illegible] setting up as soon as possible a credit system [illegible] Marxist theories and suitable for China's national [illegible] commercial credit can enjoy a legitimate position for [illegible]

[illegible]

SHANXI'S 1982 BUDGET IMPLEMENTATION, 1983 BUDGET ESTIMATES OUTLINED

[illegible] SHANXI RIBAO in Chinese 31 De[illegible]

[illegible] Yuansuo [7051 0337 6956], director of the provincial finance department: "Report on the Implementation of the 1982 Shanxi Provincial Budget and the Budget Estimates for 1983 (Essential Points)--At the Fifth Session of the Fifth Shanxi People's Congress"]

[illegible] trusted by the provincial people's government with the task of reporting to the Congress on the implementation of our province's [illegible] and on the 1983 budget estimates. The following is presented [illegible] consideration.

[illegible] Implementation of the 1982 Bu[illegible]

[illegible] ,761,480,000 yuan. Financial [illegible] were budgeted at 2,325,660,000 yuan, an increase of 33.15 percent [illegible] expended last year.

[illegible] industrial and agricultural production in our province [illegible] the circulation of commodities continued to expand, [illegible] the province totaled 1,845,000, [illegible] target 40 days ahead of schedule--an increase of [illegible] same period last year. [illegible] per cent of the amount [illegible], an increase of 25.2 percent over the same period [illegible]

[illegible] Treasury bonds throughout the [illegible] yuan, and up to the end of November 108 million [illegible] taken in, exceeding the goal [illegible] per cent.

[illegible] our province made new advances and new [illegible]

[illegible] fire year will reach [illegible] million yuan, 13.45 [illegible], in comparison based on similar terms, more [illegible] the previous best year for provincial [illegible]

[illegible] improved and there have been clear achievements in [illegible] to the end of November, the total value of output [illegible] industries in our province had reached 6,697,160,000 yuan, [illegible] percent over the same period last year; there were 960 [illegible] in total profits realized, an increase of 19.27 percent over [illegible] last year, exceeding the increase in total value of output; [illegible] 1.6 percent; 100 yuan of production value [illegible] of 5.6 yuan over the same period [illegible] value [illegible] up 24.61 yuan of funding, [illegible] same period last year; [illegible] province suffering losses during this period [illegible] last year to 526 this year, with losses during the period [illegible] yuan last year to 74 million yuan this year, [illegible]

[illegible] around the slow development in economic, cultural [illegible] in the Shanlao area of our province, in addition [illegible] allocations of funds, provincial financial departments came [illegible] yuan of special funding to use in solving the problems [illegible] water for men and for livestock in both county towns [illegible] Shanlao area, of housing for older cadres, of [illegible] and sanitation and of improving the operation of [illegible] medical treatment.

[illegible] were able to achieve such a good record in the [illegible] work of our province in 1982 was that party [illegible] government at various levels resolutely implemented the [illegible] policies of the Third Plenary Session of the 11th Party [illegible] a firm hold on the construction of the two [illegible] leadership of economic work, paying special [illegible] in coal resource base areas and the development [illegible] light and textile industries. At the same time, [illegible] were sent out to delve into large scale enterprises [illegible] enterprise reorganization, while focusing on improving [illegible] into enterprises which had been suffering losses [illegible] profit makers; to promote forcefully internal [illegible] responsibility and offer direct help in solving actual [illegible], while making adjustments in certain enterprise [illegible] and financial affairs departments at various [illegible] their roles, corrected their service directions, [illegible] were strict about overseeing [illegible] arranged income and worked [illegible] attacks on [illegible] to our exceeding our income [illegible]

[illegible]

[illegible] financial work [illegible] five-year plan and [illegible] to

[illegible] consolidation and improv[illegible] on the foundation of developing production and improving [illegible] results, [illegible] certain that income continues to increase. [illegible] we must guarantee key items, support [illegible] reforms, speed up construction in [illegible] and transportation, stress the [illegible] and sanitation, strengthen support for [illegible] and continue to pay attention to improving the lives of the [illegible] accordance with the above-mentioned principles and policies, I shall first introduce some initial budgetary estimates for 1983:

The state assigned income target for our province in 1983 is 2,133,550,000 yuan, [illegible] million yuan more than budgeted this year, an increase of 21.12 [illegible] percent increase over the estimated total figure for this year. Under the principle of operating under systems of contract [illegible] national and our province's financial administration will continue to work with the method of dividing total income responsibility. [illegible] province's responsibility is 80.4 percent. Based on [illegible] income slated to come from local areas is to be [illegible]

[illegible] budget expenditures for 1983, 1,672,570,[illegible] yuan would [illegible] an increase of [illegible] million yuan over this year. [illegible] subsidies from the central [illegible] over the previous years cannot yet be [illegible] we have only been able to initially allocate the [illegible] the year in arranging various expenditures. And of [illegible] capital construction is up 16.67 [illegible] of this year; funding in support [illegible] tap hidden potential and of technical [illegible] enterprises (iron and steel, coal, chemical [illegible] machinery) is to increase 137.58 percent over that [illegible] the beginning of this year, the amount to be expended on [illegible] allocated at the beginning [illegible] sanitation and science are [illegible] beginning of this year [illegible] up 9 percent and [illegible] payments [illegible] percent over those allocated at the [illegible] are to increase [illegible] this year; and, at the [illegible] adjustments in administrative [illegible] area, as well as funding [illegible] concretely [illegible] throughout the [illegible] At the [illegible] the full year's [illegible]

[illegible] treasury bonds, and it has [illegible] million yuan in bond sales,

an amount equal to this year's goal compared on similar terms. Of this amount, units should purchase [illegible] million yuan worth of bonds and individuals [illegible] million yuan worth.

In addition, in order to step up construction in the areas of energy and communications and transportation, the state has decided, beginning in 1983, to collect a "state fund for key energy and communications and transportation construction projects." Money for the fund will come from a 10-percent levy on funds outside the budgets of [illegible] prefecture, department and unit and on after-tax profits of large collectively owned economic organizations in cities and towns. Our province has been assigned the goal of collecting 90 million yuan for the fund. The amount collected in excess of the target would remain at where it is to be used in energy and communications and transportation construction.

The key year in the implementation of the sixth five-year plan is 1983. In order to do a good job and to make breakthroughs in financial work in this year, we must first work hard to develop production, forcefully supporting the technical reform of enterprises, uncovering hidden potential and making certain that enterprises gradually shift production onto a foundation of advanced technology. We must devote full attention to upholding scientific research, [illegible] financial resources to promote new technology and producing financial resources through the use of the new technology; second, we must shift the [illegible] economic work to put improving economic results as the [illegible], [illegible] the improvement of economic results in the first position and [illegible] economic results over "exaggeration" and false reporting which are severely damaging; third, we must continue to reform and perfect the financial administration, tax revenues, enterprise financial affairs work and other aspects of the basic system and quickly establish responsibility systems in which the stress is on "responsibility" and responsibility and rights are combined; fourth, we must realistically set in order the financial affairs of enterprises, reorganize and strengthen the basic work and business accounting work in financial affairs accounting, [illegible] discipline and strengthen the management of test standards, combining test standards with systems of economic responsibility within enterprises and applying them at the workshop, team or group and [illegible] levels, creating a situation in which everyone upholds standards [illegible] the tasks of the factory, guaranteeing the overall [illegible] tasks; fifth, we must work hard to use funds [illegible] and education, sanitation and science, [illegible] to use to its fullest extent. If this [illegible] we can certainly make a breakthrough in financial [illegible] would in achieving a basic turn for [illegible] financial situation within [illegible] years.

[illegible]

[illegible]

[illegible]

[illegible] all fields of [illegible] wonderful role.

[illegible] and the handling [illegible] it should be an organi- [illegible] the nation's [illegible] the bank should [illegible] important [illegible] funds for domestic [illegible] supporting [illegible] supporting [illegible] the bank's role [illegible] handled [illegible] potential

[illegible] role, [illegible] central [illegible]

[illegible] credits, [illegible]

[illegible] operatives [illegible] units and [illegible] percent [illegible] were extended to [illegible] production [illegible] individual peasants for [illegible] Zhejiang [illegible]

[illegible] conference was held recently [illegible] appropriate concentration [illegible] the base figures under the [illegible] the provincial financial [illegible] director of the provincial [illegible] and [illegible] we should [illegible] energetically, [illegible] efforts to promote [illegible] It is hoped that [illegible] give play to their [illegible] of this [illegible] as possible. [illegible] enforce [illegible] the use [illegible] secretary [illegible] governor [illegible] "Text" [illegible]

[illegible]

SCIENTIFIC, TECHNICAL IMPROVEMENT OF MACHINE BUILDING INDUSTRIAL URGED

[illegible] in Chinese [illegible]

[illegible] [3068 2051 [illegible]]: "Develop Science and Technology, Promote Our Province's Machine-Building Industry"]

[text] Recently, at a national scientific and technical awards congress, Comrade Zhao Ziyang said, "Vigorous development of the economy must be based on scientific and technical progress." This guiding idea is entirely applicable to our province's machine-building industry. To make our province's machine-building industry play a role in creating a new situation in socialist modernization, we must take the path of developing science and technology.

[illegible] years since liberation, under the leadership of the party our [illegible] industry has grown greatly, with an average [illegible] rate of [illegible] percent. Especially under the leadership of the [illegible] plenum of the 11th Central Committee, the cadres and [illegible] machine-building front have actively implemented the readjustment [illegible], have expanded the range of sectors they serve, and have [illegible] decreased state capital construction investment [illegible] work, overfulfilling production targets year after [illegible] this October the industry's total output value and pro[illegible] planned targets for the year and were up by [illegible] same period last year. [illegible] this province's machine-building industry is still [illegible] It is still far from meeting the 12th party congress's [illegible] strategic goals. In terms of economic benefits [illegible] machine-building enterprises occupy third place nationwide in total employees and fixed capital, fifth place in machine [illegible] place in steel products consumed and electrical [illegible] in 8th place [illegible] per hundred yuan of output value, [illegible] output value per hundred yuan of fixed capital, and 16th [illegible] worker, below the national [illegible] selection and technolog[illegible] can only produce about 4,000, many of which are [illegible] the 1970's state of the art,

There are [illegible] products produced in compatible sets, and most of the products are of complete construction, with low efficiency and big consumption, and are at the [illegible]'s level.

To change the situation of our province's machine-building industry, produce more and better mechanical equipment, equip the various departments of the national economy, develop science and technology, and make a contribution to achieving our strategic goals, the machine-building industry must make a major effort in its own scientific and technical upgrading and raise its scientific and technical standards. [illegible], it must raise the awareness of cadres at all levels and of all employees regarding the development of science and technology, and include this work on its agenda of important activities. Some enterprises with plenty of work are content with the present situation, believing that they are too busy to do anything else, that an effort in technical modernization would waste their energy, and that they can get by without such an effort; some enterprises without sufficient work are concerned only with keeping afloat and do not accord an important place to this work. These attitudes are both incorrect. The machine-building industry is the outfitter of the national economy, and the level of sophistication of the machinery which it produces directly affects the economic results produced by all departments of the national economy, so that during the production process they must be aware of the overall socialist situation and make high demands on themselves regarding the achievement of our strategic goals. World scientific and technical development is proceeding apace, and the cause of development is making greater and greater demands on the machine-building industry; and if our techniques and products are still old-fashioned, we will fall behind the times. As regards the development of the enterprises themselves, if they ignore technical progress and do not modernize and upgrade their products, they will end up with insufficient work, while those that already do not have enough work will find their situation becoming still worse. Developing science and technology is a path that must be taken by all enterprises in the machine-building industry.

Developing science and technology requires the establishment of a seasoned group of personnel. Currently, scientific and technical personnel account for about [illegible] percent of all employees in this province's machine-building industry, and although this is far to little to meet needs, they are the key contingent of developing science and technology. We must begin by effect [illegible] and utilizing this contingent. We must continue implementing the [illegible] intellectuals, trust them politically, [illegible] them in [illegible] [illegible], give them suitable [illegible] in [illegible] enlist their enthusiasm, making suitable use of their [illegible] and strong points [illegible] to make a greater [illegible] scientific and technical development. At the same time, [illegible] scientific and technical education, train a new group, [illegible] expand the ranks of scientists and engineers, and [illegible] level. We must continue to run effective engineering [illegible] and train [illegible] [illegible] technical [illegible] [illegible]

[illegible] scientific and technical personnel so that it is adapted to the [illegible] requirements of continuously developing science and technology. Effective effort devoted to this work will produce results rapidly. The Changing Optical Instruments Plant has taken effective measures to produce creative [illegible] for its scientific and technical personnel and has stepped up [illegible] technical training of employees; in the last [illegible] years the plant has carried out more than 370 equipment renovation projects and developed 12 new products, including a high-quality inverted microscope which filled a gap in domestically produced optical instruments. In addition, one product won an award from the State General Office of Instruments and Meters and another won a provincial award for scientific and technical achievement.

[illegible] science and technology, it is essential that we establish and gradually improve a certain number of scientific research and testing bases and closely link specialized scientific research plans with mass-type scientific research activities. Currently, three provincial and city-level scientific research units and 41 plants are operating research institutes [illegible]. These organizations should be given support in key areas so that they can have an effect. In the future, on the basis of the [illegible] in our province, we should further improve testing centers for [illegible] electrical engineering, medium- and small-sized electrical machinery, hydraulic components, carbon products, soldering materials, instruments and machine tools and should gradually establish research and testing bases for hydraulic hoisting equipment, water pumps, centrifugal machinery and the like. Effective experience in cooperation between plants and institutes and between plants and schools should be vigorously disseminated [illegible] utilize unused technical potential, open extensive avenues [illegible], and adapt to the needs of developing production. [illegible] of research and production is a good method which yields results. The Changing Tool Plant and Changsha University cooperated in [illegible] a new method for manufacturing curved components, which was awarded [illegible] award. As they pursue the economic responsibility [illegible] enterprises should also pursue the technical [illegible] and should give bonuses to progressive units or [illegible] produced inventions or shown creativity. The results [illegible] personnel [illegible] organizationally connected with [illegible] inventions should be [illegible] and compensation may be given for transfer of technical patents, [illegible] invention and promote the dissemination of scientific [illegible] from other [illegible] key problems [illegible] the actual circumstances [illegible] planned training. The [illegible] industry in [illegible], communications, [illegible] other areas as [illegible] contribution to [illegible]

[illegible] in the [illegible] took the initiative in [illegible] state. [illegible] not have the merest [illegible] they [illegible] they give then:

[illegible] state taking [illegible] level [illegible] think they [illegible] state taking over the [illegible] normal progress [illegible]

[illegible] In terms of the middle links in the circulation chain, [illegible] industrial goods could only enter the retail market after [illegible] first, second and third level allocation approvals, and [illegible] product. Only after they had passed through the four [illegible], county, prefecture and [illegible] and had gained one or two [illegible] the city to which they were to be moved. It only required a [illegible] point in the chain to stop [illegible] circulation process. In [illegible] problems encountered in Shanghai, the present system is less [illegible] the demands of the developing situation. Reform is imperative. [illegible] it an important part of our daily agendas.

[illegible] the reform of the commercial system, Comrade Lu Mayun said [illegible] now we in Shanghai have been doing some pilot program [illegible] reorganizing enterprises and reforming the rural supply [illegible] system; we have relaxed certain policies, developed [illegible] rural markets, changed the situation of single shop [illegible] enterprises and taken the initial steps to bring about [illegible] economic forms, varied channels of circulation and [illegible]; and the food and beverage industry has also begun [illegible]. But in general, momentum is not great, methods are [illegible] not rapid. This is largely due to the "leftist" ideological [illegible] a long time or [illegible] cadres, some of who still crave [illegible] and whose [illegible] are not sufficiently emancipated. [illegible] the sixth five-year plan called for giving a tremendous [illegible] seriously study the new constitution, trade and [illegible] throughout the city should move ahead in seriously [illegible] and, on the foundation of fully understanding [illegible] of the commercial system, resolutely [illegible] the radical [illegible] carry out reform of this [illegible].

[illegible] the city-wide [illegible] conference, Shanghai [illegible] the prevailing [illegible] to implement [illegible] sense of responsibility [illegible] and in [illegible] we have [illegible].

and staff members mainly from graduates of middle schools or higher in rural and pastoral areas. Only those who have passed the unified examinations given by counties or banners can be selected or engaged. Those who are employed by cooperatives should not transfer their residence registration to urban areas or receive commodity grain. Those who are doing well in their work can be employed for a long period of time. Those who lag behind in their work can be dismissed with the approval of the members' congress of cooperatives or the approval of the board of directors. Efforts should be made gradually to enable workers and staff members to enter or leave cooperatives.

The decision calls on all localities to go all out to develop collectively- and individually-run commerce and service [word indistinct] in rural and pastoral areas. Collectively- and individually-run commercial and service trades should follow the principles of assuming sole responsibility for their profits and losses; of the state levying taxes on them; of carrying out independent operations and making managerial decisions on their own; and of refusing to practice the system of eating from the same big pot. The just rights and interests of supply and marketing cooperatives should be protected, and no departments and units are allowed to gratuitously seize their funds and installations. In the field of supply of goods, state-run commercial departments and supply and marketing cooperatives should be treated equally, without discrimination.

The decision further relaxes the restrictions against the policy on purchasing and marketing agricultural and sideline products. The former 31 varieties of agricultural and sideline products which belonged to the second category and which were under the management of commercial departments and supply and marketing cooperatives are reduced to 10 varieties, including pigs, cattle, sheep, eggs, camels, sheep skin, goat skin, sheep wool, cashmere and camel wool. Except for cattle and sheep--which should be purchased in accordance with a 10-year average purchasing amount and this amount should be held unchanged for a 3-year period--other varieties of these agricultural and sideline products should be purchased in line with the annual plans and producers at each level should be informed of the purchasing quotas. From now on, in state monopoly purchases, compulsory purchases and negotiated purchases of agricultural and sideline products, all managerial departments, commission agents and industrial, agricultural and livestock departments should sign economic contracts and implement the contracting system in an all-round manner. In signing contracts, the duties for both sides should be defined and the contracted items should be strictly observed. The implementation of contracts should be supervised by industrial and commercial administration departments.

The decision also sets forth clear stipulations on building basic installations and projects used for developing commodity production and on strengthening the work of regulation by the market.

CSO: 4006/345

DOMESTIC TRADE

'RENMIN RIBAO' ON WUHAN AS COMMERCIAL CENTER

HK080941 Beijing RENMIN RIBAO in Chinese 2 Mar 83 p 5

[Article by Jiang Hongqi [3068 3163 0366]: "An Inquiry Into the Development of the Role of a Central City as a Commercial Center"--passages within slantlines published in boldface]

[Text] With the development of the commodity economy, central cities are formed and develop. Generally speaking, a commercial center is formed with the development of the commodity economy and then grows into a central city.

How to develop the role of a central city as a commercial center is an important question in promoting our socialist economic development. Wuhan is a city whose surrounding regions yield plentiful products, whose geographical position is excellent and whose communications with all parts of our country are convenient. Its commodity economy is well developed. Long ago it was already well known in our country and abroad as a famous commercial town. It has always been called "a communications center amid nine provinces" and has played a tremendous role in the economic development of our country, in particular its central and southern regions.

Wuhan's status and role as a central city was affirmed and enhanced from the early post-liberation years to the late 1950's. That period saw flourishing and well developed commercial exchanges between the city and other localities, including rural areas. Channels of circulation were many and the flow of goods was unimpeded. There were many flexible ways of doing business. Later, with the gradual growth of the influence of "leftist" ideology, the role of Wuhan as a big central city was gradually weakened and restricted.

We think that the "leftist" ideology that downgrades the role of central cities as commercial centers exerts its influence in the following three ways: First, the importance of commodity production is overlooked; second, the importance of commodity circulation is overlooked; and third, the role of cities is restricted. Because of these ways of thinking and doing things, the economic links between the central cities and their surrounding regions are artificially severed, the superiority and role of central cities in the development of socialized large-scale production and commodity circulation are overlooked, and the role of central cities as economic hubs in the social reproduction process is restricted.

The situation has taken a favorable turn since the 3d Plenary Session of the CPC Central Committee. However, the problems have not been basically solved. Therefore, we should continue to eradicate the influence of "leftist" ideology, break through the force of habit, firmly acknowledge the role of central cities, and bring this role into play.

/Promote and guide the development of production, enable industry to achieve superiority, and strengthen the status as a commercial center./ A commercial center must be backed up by a relatively strong foundation in the realms of material resources and technology. In particular, there must be a number of key products which are of good quality, inexpensive and marketable, and which can compete with other products on the national market. This is an important condition for fully developing the role of a central city as a commercial center.

After more than 30 years' construction, Wuhan has become a comprehensive industrial base with a relatively complete assortment of industrial sectors. It is absolutely capable of achieving superiority in industry under the condition of commodities becoming increasingly more abundant and competition becoming increasingly fiercer. On the other hand, Wuhan produces very few key products which can compete with other products on the national market. This situation is far from being compatible with Wuhan's status, and also affects the development of its role as a commercial center. It can be seen that the development of famous brands of products of superior quality is slow; the quality of famous brands of products is unstable; the status enjoyed by key products is not firm; new varieties of products are lacking; and the prices of some products are too high. In terms of the total value of industrial output, Wuhan occupies the fourth position among our country's major cities. However, from 1979 to 1981, out of more than 700 products in our country which earned superior-quality awards, our city accounted for only 11; and out of more than 7,000 products appraised as superior-quality products of various sectors and provinces, our city accounted for only 126. In both cases the proportions were less than 2 percent of the national figures. In 1981, the sale of local products outside the province by the first commercial bureau of Wuhan Municipality increased by 2 percent over 1980; but in 1982, it decreased by 23.8 percent compared with 1981. Aside from reasons of commerce, this drastic drop in sale of products outside the province should be said to be closely related with the poor ability of local products in competing with other products.

Therefore, the commercial departments must vigorously promote and guide production. They and the industrial departments must make concerted efforts and closely cooperate, to enable the products of Wuhan to achieve great superiority on our domestic market, so as to strengthen Wuhan's status as a commercial center and central city. Its role as a central city can be more satisfactorily developed only if industry and commerce promote each other and their superiority is integrated.

/Organize commodity circulation according to rational flows as prescribed by division of economic regions, with cities as centers./ In recent years, commercial departments at various levels have taken some measures to vitalize the market and smooth out channels of circulation, and have achieved some success. However, there have not been any major breakthroughs in establishing wholesale agencies on the basis of administrative districts and organizing

commodity circulation according to the relationships between various administrative levels. For example, the county town of Wuhang County is only [illegible] kilometers from Wuhan and [illegible] out of the [illegible] grassroots supply and marketing cooperatives in the county purchase goods from Wuhan. However, the county is devoid of any wholesale agencies subordinate to the county authorities. A similar situation also occurs in Hanyang County. Some localities are only around [illegible] kilometers from Wuhan, yet they [illegible] have [illegible]-level wholesale agencies, but also have [illegible]-level ones [illegible], the economic relationship between a central city and its surrounding regions is artificially severed. This is disadvantage us to the smooth flow of goods, and even more so to the enhancement of economic benefits.

Our view is that in the socialist centralized market, central cities are where the exchange of commodities is most concentrated. A central city must not be viewed [illegible], as an administrative district. It is the center and hub of economic activities within a specified region. According to the natural direction of flow, the flow of commodities must be radically outward with the central city as the center, so that a network of rational flow of commodities can be formed. Therefore, one may consider abolishing second-level wholesale agencies in the localities around Wuhan and county wholesale agencies that are subordinate to the municipal authorities, thus allowing retail shops and grassroots supply and marketing cooperatives in these localities to purchase goods directly from Wuhan. In the case of commodities subject to planned distribution, commercial departments at higher levels may set allocation targets, which Wuhan may be charged to fulfill. In the case of certain minor commodities, large-scale bazaars under county authorities or market-town shops may also serve as their wholesale agencies, thus facilitating small-scale purchases by small shops and collective or individual traders. This will be relatively conducive to the transfer of commodities from the realm of production to the realm of consumption at the least cost and via the shortest routes and the smallest number of links. Then, Wuhan will have a closer relationship, in terms of exchange of commodities, with the [illegible] towns and cities and the vast countryside, and it will become the center of exchange of commodities between urban and rural areas.

With central cities as pivots, we must establish some transprovincial, transmunicipal and transregional integrated enterprises, to provide horizontal economic links. Central cities must be responsible for vitalizing the national socialist centralized market in addition to their local markets.

How can commodities be opportunely sold by Wuhan to other localities? And how can commodities from other localities easily enter Wuhan's market? Our view is that aside from effecting a balanced allocation according to state plans, we must also break through the blockade between various localities and the barriers between various departments, develop the superiority of commercial central cities, establish various forms of transregional or transdepartmental integrated enterprises, organize various forms of cooperation between specialized sectors, as well as restore and build horizontal links between central cities. Industrial and commercial enterprises of Wuhan can approach commercial enterprises of other central cities and various counties and towns to initiate combined operations. Industrial and commercial enterprises of other localities can also

come to Wuhan to organize combined operation. Such cooperation may take many forms, for example, between various commercial enterprises, between industrial and commercial enterprises, between agricultural and commercial ones, between domestic-trade and foreign-trade ones, and between wholesalers and retailers.

'Establish powerful market information centers and information systems./ Central cities are centers of industry and commerce. They must also be economic information centers.

Over the past several years, market forecasting began to gain the attention of various quarters. However, it is still an extremely weak link in our economic work. Our view is that information centers should be established in central cities. The authorities and enterprises concerned must also correspondingly establish information study agencies or employ specialized personnel, jointly do a good job of forecasting and collecting and studying information, organize information service and economic study, and build an information network. They must opportunely know various things about domestic and foreign markets such as market trends, conditions of production and marketing, current prices, and tendencies in consumption. They must also do some market forecasting, information study and trend analysis; collect, organize, accumulate and exchange relevant information; and also publish relevant publications to satisfy the requirements of industrial readjustment and of developing the production and exchange of commodities.

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DOMESTIC TRADE

TELEPHONE MEETING ON COMMERCIAL REFORM

HK090755 Shijiazhuang HEBEI RIBAO in Chinese 23 Feb 83 p 1

[Report: "Provincial Government Calls Telephone Meeting Setting Forth Requirements for Commercial Reform"]

[Text] The provincial government called a telephone meeting on the evening of 21 February, calling on leaders at all levels to strengthen leadership, quicken their steps and go about things steadily and surely in commercial reform and hoping that remarkable success will be achieved within this year.

Executive Vice Governor Li Feng presided over the meeting and Vice Governor Hong Yi delivered a speech. Responsible comrades of financial offices of the Shijiazhuang City Government and the Huolu County Government gave an account of their experience in commercial reform at the meeting.

In his speech, Vice Governor Hong Yi pointed out: At present, an upsurge in commercial reform, which mainly adopts the system of contracting responsibility for management, is in the making in the province. The situation is good and the reform has begun to manifest its strength. However, the reform is just beginning, so profound study and investigation should be conducted to understand the new situation and deal with new problems. Leaders in some localities have not yet concentrated their efforts on the reform, their minds are lagging behind the new situation and their action is slow. In these places, the masses have not been fully aroused and good experiences have not yet been summed up and propagated. The commercial reform in our province, he said, must be carried out in accordance with the central principles. It must be pushed forward in an all-round way and systematically, it must be done resolutely and orderly, and it must be done under guidance and step by step. In this way, success will be achieved within this year.

Comrade Hong Yi continued that from now on, leaders at all levels had to grasp well commercial reform and educate the broad sections of cadres and workers to deepen their understanding of the significance of the reform and to take an active part in it. He stressed that conditions are now ripe for reforms and the time for reforms has come. Therefore, leaders at all levels should not go at a leisurely pace or be overcautious. They must have the courage to lead and push ahead reforms with the spirit of creating a new situation. The pace of reforms

should be quickened, but rushing headlong into mass action must be avoided. Action must be resolutely taken when something is sure in practice. Otherwise, experiment should first be carried out in selected units; when experience is gained, it can be spread over a whole area from one point. At present, efforts must be made to push forward reforms among retail dealers, catering service and supply and marketing cooperatives. As for reforms in wholesale enterprises, experiment must first be made in selected units to gain experience. Meanwhile, grain departments must emancipate thinking and have the courage to blaze new trails and put things into practice in line with their specific conditions. It must be made clear that the main target in commercial reform is to overcome egalitarianism in distribution. The key to solving this problem to boldly push forward the system of contracting responsibility for management, which must take into consideration interests of the state, the collective and the individual and must link the welfare of the workers with their labor. The system can be adopted in varied forms, and not in a stereotyped mold. However, no matter what forms we may take, we must accord them with the building of the socialist spiritual civilization, always thinking of the socialist ideological education, the socialist orientation in business and constant ideological and political work, strictly abide by price policy and really protect consumer's interests. Meanwhile, in carrying out reforms the state revenue should in no way be affected. Under no circumstances is it permitted to practice adulteration and shortweighting, to palm off shoddy as quality goods, to raise prices in disguise, to increase burden on consumers or to reduce variety of daily consumer goods which are necessary for the people. Such departments at all levels as finance, tax, bank, labor, pricing, industry and commerce, Comrade Hong Yi pointed out, must take a positive attitude and lend great support to commercial reform. Meanwhile, commercial reform must be linked with enterprise consolidation. A good leading body must be established through enterprise consolidation so as to bring about favorable conditions for reforms. Governments and commercial departments at all levels must from now on concentrate their efforts on pushing ahead with the work of reforms. Leaders at all levels must stand in the forefront of reforms, personally take a hand in summing up experiences in selected units and support, participate in and give guidance to reforms. Leading organs and enterprise management departments must also improve and coordinate their organizational structure, rules and regulations, and work style and methods with commercial reform.

Following Comrade Hong Yi's speech, the executive Vice Governor Li Feng pointed out that the meeting was very important. Governments and commercial departments at all levels must seriously review their work in line with the spirit of the meeting. They must put forward new measures and work out new plans so that the reform will be going on smoothly.

CSO: 4006/3.5

DOMESTIC TRADE

PROBLEMS OF SLUGGISH PRODUCT SALES ANALYZED

Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 11, 25 Nov 82 pp 29-30

[Article by Ru Sheng [5423 4141] and Lu Zhifen [7120 1807 1164]: "Some Views On the Present Sluggish Sales of Some Daily Consumer Goods"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, in order to correct the serious imbalances in the proportions of light and heavy industries in our national economy and to quicken the pace of the development of light and heavy industries, the Party Central Committee has established a series of principles and policies. Especially in the area of developing the production of daily consumer goods, from the central to the local areas, some tremendous reforms and measures have been adopted to see to it that there would be a large increase in the production of daily consumer goods. The abundance, tremendous variety and price stability of consumer goods on the market at present are things rarely seen in the more than 30 years since the founding of the nation.

In terms of present market supplies, there are sufficient supplies of candies, enough clothing, shoes and hats to allow people a selection and basically unrestricted supplies of certain durable consumer goods. Because the supply of goods is increasing daily, consumer morale has correspondingly risen. In the past it was a case of buying when one had the money or when the merchandise was available; now it is a case of not buying what is not immediately needed, of not buying goods of poor quality and of not buying goods if it is not the season for using or consuming them. This is especially the case with high and middle class goods where the psychology of looking for brand names, choosing quality, being concerned with the place of production and being style conscious has become widespread among consumers. The former situation of "holding your money and contending to buy" has basically disappeared and has been replaced with a situation of "holding your money and waiting to buy" and "saving your money and buying selectively." Except for the supplies of a number of brand name products which cannot keep up with demand, the production of most products in the marketplace is exceeding sales and a few products with sluggish sales are causing problems of overstocking. According to an analysis of 90 daily consumer products by concerned departments, based on the value of output, 28 percent are selling well or are in somewhat short supply, 57 percent have struck a basic balance between supply and demand and 15 percent are experiencing varying degrees of sluggish sales and overstocking. This analysis makes it clear that,

in the present market, the absolute majority of products are not in short supply and that the percentage of products that are not selling well and are being overstocked is not yet great, but we cannot take matters lightly. We need to analyze seriously the causes of sluggish sales and overstocking of products and to take pertinent measures to hasten further development in the production of daily consumer goods.

There are many aspects to the causes of sluggish slaes and overstocking: there is the production aspect, the circulation aspect, the seasonal aspect, the price aspect, the purchasing power aspect and the people's psychology aspect. The forms of sluggish product sales are also quite varied: the problem can be temporary, cyclical or competitive in nature. But in general, situations fall into the two categories of partial sales stagnation and overall sales stagnation. The so called partial sales stagnation refers to products experiencing weak sales in certain localities, while overall sales stagnation refers to products experiencing sluggish sales everywhere throughout the nation. The following are the major causes of sluggish product sales:

1. Poor quality and goods not meeting consumer needs. According to an analysis by concerned departments in our province, 15 percent of the total value of the commercial stocks of goods is comprised of goods of poor quality, that are not popular or are unimpressive, or which are deficient or have gone bad. Even when the market is tight, some products sell well. But when other similar products of good quality arise, then sales of the product drop off. For example: in terms of total volume, there is not an excessive amount of bicycles and sewing machines, but a large part of them are less well known brands that have recently been developed which, because of poor quality and a lack of confidence in them on the part of the consumers, experienced sluggish sales. Some of them simply do not meet consumer demands. Consumers today demand brand new styles and therefore new product varieties fall in and out of favor quickly, experiencing short rounds of popularity. Sales of the ski shirt that was popular in the Shanghai market early in the year had fallen off by the end of the first quarter. Many products become cool sellers when they go out of style and can only be handled by cutting prices.

2. A definite blindness exists in industrial production. Some areas make small increases in the production of products with a high value of output and a large tax on profits, such as synthetic fabrics, knitwear, cigarettes, white wine and others which are vastly overstocked; and some do not make needed adjustments when consumption demands change, as with products such as stationery and enamel manufactures which, even when increases in production are not large, any increase in production is clearly too much.

3. Price factors. Although some products do satisfy needs, sluggish sales result because the prices are somewhat high, not only being at variance with the value of the product but also placing the products beyond the means of those with average purchasing power. Such is the case with Daqu Liquors, well known local wines and high and middle grade filtered chewing tobacco. Another situation occurs when the prices of name brands and inferior brands are roughly the same or when inferior brands are even priced higher than name brands. This leads people to pull their money from the banks and purchase the name brands,

resulting in [illegible] brand products and slow selling, overstocked inferior brands. [illegible] is the case with sewing machines and bicycles.

4. Large commercial stocks affect the turnaround of funds, leaving no capacity for promptly getting suitable products on the market, circulatory channels being blocked. The blind purchases and irrationally matched arrangements of inventories by commercial departments at every level, especially those at the county level and below, lead to large stocks of products that do not meet market needs. For example, product stocks in the grass roots level supply and marketing cooperatives in our province are up approximately 10 percent over those in the same period last year, but net sales have nonetheless fallen by 14.5 percent. Because these grass roots cooperatives lack funds, they are unable to stock products that would meet market needs, and the vast number of rural consumers do not get to see many products.

5. Urban and rural savings have increased while funds put into the market have decreased. This year, banks have raised interest rates and increased bonus savings. Savings in banks have clearly increased with funds in savings deposits in urban and rural areas throughout the province in the first half of this year up 16.7 percent over those there at the beginning of the year, exceeding one-half of the increase in retail sales of commercial goods throughout the province. This undoubtedly reflects a temporary shelving of a large amount of consumer purchasing power.

Opinions vary with regard to the matter of the sluggish sales of some daily consumer goods. One view holds that daily consumer goods are in "excess" at present, that we don't need development in this area, and even that there is no need to carry out the principle of the "six priorities" in light industry. Some comrades on the light industry front do not understand the present situation of sluggish sales and overstocking and feel a great deal of pressure because they lack the ideological preparation to deal with the rapid change from a "sellers market" to a "buyers market" in daily consumer goods. Another view holds that the sluggish sales and overstocking of daily consumer goods at present is not a matter of these being in "excess," but rather is caused by the inability of production to adapt to market changes under conditions of an increasing abundance of daily consumer goods and that a shift from not adapting to adapting will provide tremendous impetus for raising the production of daily consumer goods to an even higher level. We feel that the former view is superficial and one-sided and carries with it the danger of sending the production of daily consumer goods into reverse. The latter view is positive, grasping the essence of the problem and looking to the future. The daily consumer goods industry at present is in a transitional period. We should adroitly guide our actions according to circumstances, seeing to it that the production of daily consumer goods can meet the demands of the changing market. We must promptly and resolutely shift the focus of work from value and volume of output to quality and variety, from keying on expanding production ability to keying on technical reform, from emphasizing speed to emphasizing results and shift our major efforts from investing in construction to enterprise management. We feel that this is an "adjustment" in guiding ideology and work emphasis needed for the development of the production of daily consumer goods. Only in this way can we lay a firm foundation for our socialist economy to comprehensively surge ahead in the future.

First, we must improve product quality and give priority to increasing products that suit the market. We must see that our national economy is now changing from a "sellers market" to a "buyers market" and that this is a necessary trend in the development of a merchandise economy. The characteristics of a "buyers market" are that the consumers become the overlords of the market and that product competition in the marketplace becomes more and more intense. Because of this, quality and variety become major matters facing industrial and commercial enterprises. Therefore, production enterprises must work hard at reforming production techniques, strengthening quality management and bringing out new products with new styles and new variety and catch up with and surpass name brand products and create name brand products with materials, structures, models and packaging of superior quality. We must, in keeping with the time, strengthen enterprise management, work hard to reduce costs and see to it that product prices fall. We must use high quality, new models and low prices to compete with brand name products, open up our own markets and turn sluggish sales into good sales.

Secondly, we must do a good job in market forecasting, strengthening our survey and research work. Both industry and commerce need to do well in market forecasting in order to provide market information to allow us to organize consumer goods production, paying special attention to the needs of the vast rural market and seeing to it that production adapts to the changes in both the urban and rural markets. At the same time, we must do a good job in commodity circulation work, organizing product supplies in a planned way. Circulation is the bridge between production and consumption, but it does not simply involve transport from the site of production to the site of sales. Only when the product has reached the hands of the consumer has circulation truly fulfilled its function as a bridge. Because of this, commodity circulation requires strengthening survey and research work and being particular about commodity allocation techniques--allocate what?, allocate how much?, when to allocate?--in order to avoid having an excess of some things and shortages of others. Once sluggish sales occur, we must actively arrange an interflow of commodities, adjusting the goods in excess and in short supply, reducing market overstocking and reducing circulation time. At the same time, industry and commerce must correct their service directions and, starting with the idea of support for "developing production and insuring supplies," establish the notion of seeking small profits with quick turnover and enlivening the marketplace.

Thirdly, strengthen planning and management, prevent duplicate factory construction and limit blind development. We must use state plans, economic leverage and administrative intervention to insure a basic balance between commodity production and sales. Because of high duties and large profits, some products aid local finances and therefore tendencies toward duplicate factory construction and blind development arise, leading to an excess of certain products. This requires fostering the superiority of the socialist planned economy, strengthening overall macroscopic planning and making use of the economic levers of tax revenues, credit and interest rates to control strictly the duplicate construction of factories and blind development. When necessary, we must adopt decisive measures and use administrative decrees to intervene to prevent the expansion of production capabilities, forcing a decrease in production, changing product directions and balancing the relationship between

market supplies and demands. These are basic measures for solving the overall sales stagnation brought about when supplies of certain products exceed demand.

Fourthly, we must use the law of value to influence and guide market consumption, using flexible and varied sales forms to stimulate consumption and alleviate sluggish sales. The supplies of certain brand name products on the market at present are not meeting demands, and when average products are selling sluggishly, we can consider using the method of raising the prices of brand name products, which can both restrain the demand for brand name products and promote a market for the products which are experiencing sluggish sales. And it can put a stop to the unhealthy tendencies in the sales of brand name products. In regard to certain products which are out of date and have lost out to competing products, we can reduce their prices in order to reduce the burden both on industry and commercial concerns. In addition, we can consider allowing planned credit purchases and installment purchases of high priced durable consumer goods, such as television sets, refrigerators, high quality radio recorders, less well known brands of bicycles, sewing machines, etc, stimulating consumer demand. This is an effective way to solve the problem of sluggish product sales.

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BRIEFS

HUNAN COMMERCIAL REFORM FORUM--The provincial forum of directors of prefectural and city commercial departments ended on 5 March. At the forum, the provincial commercial department made new arrangements for speeding up reform in the commercial field. In the first half this year, all retailing shops, restaurants, service units, processing units, farming and animal husbandry units, and transportation units must carry out the responsibility system of business operation centering on contracts. This decision was made by the provincial commercial department after earnestly studying relevant documents of the central leadership and conducting many investigations. While making this decision, the provincial commercial department also made four regulations on the principle of carrying out the responsibility system in business operation. 1. In carrying out the responsibility system in business operation, we must center on responsibility and integrate responsibility, power and interests; 2. We must first of all guarantee the income of the state; 3. We must protect the interests of producers and consumers; and 4. We must create many patterns in carrying out the responsibility system in business operation according to different conditions. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 6 Mar 83 HK]

HUNAN PRODUCT CONSIGNMENT--"On 7 March, the provincial supply and marketing cooperative decided to revoke the management regulations on the transportation of farm produce and sideline products to other provinces. It announced that in future transportation and sales of related commodities, a consignor, either a unit or an individual transporting goods for sale, should directly go through consignment procedure with a transportation department. The unit to which the consignor belongs is not allowed to intervene." In the past, there was red tape in the transportation of surplus products to other provinces. Some units took advantage of their power to refuse clearance. This made it difficult to purchase or sell local and special products. "In order to facilitate circulation and further promote the development of agricultural production, the provincial supply and marketing cooperative notified all departments in the province on 7 March, [word indistinct] the former management regulations on the transportation of farm produce and sideline products to other provinces. It announced that, in future transportation to other provinces of farm produce and sideline products of the third category and of the first and second categories which are allowed to enter the market after the quotas set for the state purchase have been fulfilled, a consignor, either a unit or an individual, should directly contact the transportation department for going through the consignment procedure. The supply and marketing cooperatives and speciality companies at various levels are not allowed to intervene." [HK110641 Changsha Hunan Provincial Service in Mandarin 2310 GMT 10 Mar 83]

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FOREIGN TRADE

STRATEGIC ROLE OF EXPORT TRADE DISCUSSED

Fuzhou FUJIAN LUNTAN [THE FUJIAN FORUM] in Chinese No 6, 20 Dec 82 pp 34-27

[Article by Wang Shoaxi [3769 4801 3556] and Ye Caiwen [0673 1752 2429]: "On the Strategic Functions of Export Trade"]

[Text] Export trade is an important aspect of economic contact with the outside and an important component in the chain of circulation, and it inevitably plays a dynamic role in social reproduction. In his report at the 12th Party Congress, Comrade Hu Yaobang stressed: "We must hasten the entrance of domestic products into the international marketplace and strongly develop foreign trade." This makes it clear that fully fostering the strategic functions of export trade is an important element in making overall breakthroughs in socialist modernizations and construction which cannot be overlooked.

An Assessment of the Role of Export Trade Since the Founding of the Nation

In the more than 30 years since the founding of the nation, our nation's export trade has undergone definite development and, moreover, has played an active role in socialist economic construction. The following are three striking aspects of this:

First, export trade has earned a large part of our nation's needed foreign exchange, allowing us to satisfy the import needs of our national economy, to introduce advanced foreign technology and equipment and to import essential machinery, natural resources, materials, agricultural production means and part of the daily consumer goods needed by the masses. This has played an active part in developing production, enhancing our economy, improving the lives of the people, hastening socialist modernization and construction and strengthening our national self-reliance.

Secondly, exports which supported industrial products and agricultural sideline products increased industrial capital accumulation and the collective incomes of rural communes and brigades, as well as the incomes of individual commune members.

Thirdly, exports have put domestic products on the international market in a competitive situation which has provided an important spur in regard to raising the quality of export products, increasing variety, lowering costs and raising the levels of the technology and industrial techniques used in producing domestic products.

These functions of export trade are easy to see. However, for various reasons, the function of our nation's export trade in spurring production has not been fully developed. Our nation's export trade remains basically in the nature of "selling what we have." The export of many products relies to a great extent on squeezing domestic consumption needs. We have not yet widely established a production industry geared to foreign markets. Our nation exports on a very small scale and the rate of export development is slow. Average annual export trade during the seventies amounted to only 6 billion U.S. dollars, approximately a 3.4 fold increase over that of the fifties, or an average annual increase of 7.7 percent; but if we adjust for inflation, the average annual increase was only 3.1 percent. Our population represents approximately one-fourth of the world's population, but our export trade represents an extremely small fraction of the world's export trade, only 0.78 percent during the seventies, up to approximately 1.0 percent so far in the eighties. In terms of the composition of export products, the largest proportion are agricultural and sideline products and light industrial goods. These represented 82.6 percent of our export trade in 1953, and they still account for more than two-thirds of it today.

We can see from this that in the more than 30 years since the founding of the nation our export trade has remained in a position of backwardness when compared to the scale and composition of exports, most of which were industrial products, of the major exporting nations at the time that our nation was founded. There are many aspects to the cause of this situation. In subjective terms, the primary factor is the influence, which still exists, of the autarkic economic mentality, a mentality which sets self-strengthening and the use of foreign capital in opposition to one another, basically setting national economic construction on a self-serving cyclical basis. This sort of autarkic economic mentality is expressed in foreign trade as: trading what I have for what I don't have, adjusting excess and shortfall with an eye to making use of changes in value, that is in accordance with the different positions of the various types of products in the national economy, and in keeping with the principle of using what you have an excess of yourself, if you have an excess, then export and if you don't, then don't export; exports are only for the purpose of securing imports; and imports are basically geared to domestic needs, to fill gaps and make up shortages. The autarkic economic mentality is the ideology of small producers and fails far short of development trends in a modern economy, and, in addition, it violates the objective requirements for the development of the production forces.

The internationalization of the forces of production, implementing an international division of labor, is the inevitable result of the development of the productive forces in human society, and it creates the necessary conditions for the great development of the productive forces. The more developed the productive forces are, the higher the degree of interdependence and mutual need of each nation in the developed economy--this is an objective economic law. Correctly understanding and applying this economic law and actively developing foreign trade in keeping with the concrete conditions of the individual nation cannot only provide the nation with what it lacks, but can also allow it to enjoy the advantages of the international division of labor--to export goods with a relatively high international value and receive in return goods with a comparatively lower international value, but which

would require a greater expenditure of labor and time for the nation itself to produce. In terms of developing the forces of production and developing socialism this is of tremendous benefit.

In sort, since the founding of the nation, export trade has played a definite positive role in our national economic construction, but this role has not yet been fully developed. This is our assessment.

A Renewed Understanding of the Role of Our Nation's Export Trade

Our nation's socialist economic construction is being carried out under conditions of a high level of development of internationalized production. Under the conditions in the present age of rapid and intense advances in science and technology, international interdependence has been further strengthened. If we do not fully utilize international conditions, then we will be even less able to utilize our domestic resources effectively, to foster our superiority and to reach our goals of the large scale conservation of social labor and the rapid development of the forces of production. We must alter our state of relative isolation, a state which is basically a self-serving cycle, and gradually establish a new economic cycle which takes domestic strength and resources to be primary and yet allows for the appropriate and opportune combining of domestic and foreign strength and resources. And foreign trade occupies an important strategic position in this new economic cycle. It must not simply fulfill the role of regulating and supplementing, but needs to be a strong driving force. Of course, we cannot do as certain capitalist nations have done, adopt a policy of "establishing the nation on trade," allowing export trade to be the basic force behind economic development. Because our nation is a large socialist nation with a population of 1 billion, we must base our modernization construction on the foundation of our own strength and uphold self-reliance. However, there is much to be learned from these nation's full utilization of export trade and certain of the economic measures which drive their entire economic development.

The strategic functions of export trade in our nation's socialist economic construction are expressed in the following three aspects:

First, it promotes the advanced development of our nation's industrial and economic structures. Although our nation's export trade served a purpose for more than 30 years, under the guidance of the ideology of "selling what you have," we have been unable to fit it into the planning of the overall national economy and so we have not been able to adjust in a planned, step by step way the composition of our exports in order to meet the demands of the international market and achieve our goal of advancing the reform of our industrial and economic structures. It is worthwhile to research Japanese methods. In the fifties, their primary exports consisted of light and textile industry products, with cotton goods alone representing 24.9 percent of total exports in 1950; by the sixties, heavy industrial products and chemicals ahd taken over the lion's share of the exports, representing 62 percent of the total value of exports in 1965; and by 1976, this figure was up to 84 percent, a state of absolute dominance. On the one hand, this situation reflects Japan's rise to a modernized level; on the other hand, it is the result of Japan's monopoly

capitalists meeting the needs of the international marketplace, utilizing foreign funds, introducing technology, promptly adjusting the composition of exports, forcefully developing heavy and chemical industry production and hastening the reform of her industrial and economic structures.

There is also much worth learning in the example of Australia utilizing export trade to hasten advanced development of her economic structure. Australia was originally a nation based on agriculture and animal husbandry. But since the sixties, in accordance with the needs of the international market, they have developed their resource advantages and have begun to strongly develop their mining industry. By taking in large amounts of foreign capital and introducing advanced equipment and techniques, they have been able to increase rapidly their production of raw coal and iron sand, with the scale of their exports growing larger and larger. In recent years, they have exported approximately 30 million tons of raw coal and 90 million tons of iron sand annually, these two export items alone bring in more than 2 billion U.S. dollars in foreign exchange every year. Because the high speed development of the mining industry rapidly brought about the reform of the nation's industrial and economic structures, Australia was able to become an economically developed nation within a period of only somewhat more than 10 years.

In the future, we should, in a planned, step by step fashion, gradually alter our course of "selling what we have" and having exports rely on squeezing domestic consumption and, on the foundation of self-reliance and in accordance with the needs and the potential needs of the international market, strongly develop industry to serve foreign markets, such as the mining industry, the machine industry, the materials industry, etc. Actively and prudently utilizing foreign funds, introducing advanced technology and equipment, as well as enterprise management experience, and forcefully organizing and expanding the export of these products will inevitably produce a chain reaction in our nation's socialist economic construction which will hasten the advanced development of our industrial and economic structures.

Secondly, it promotes the technological reform of our national economy. Technological reform of our national economy is one of the tasks at the heart of our modernization construction. Because production and marketing have been out of line and industry and trade have been separated in our foreign trade system, for the more than 30 years since the founding of the nation, prices involved in business relations between production ministries and export ministries have been based on domestic price levels and gains and losses in trading were a matter of central finances. Because of this, the competitiveness of export products on the international market put no direct pressure on production ministries and we were unable to utilize exports effectively to prompt production ministries to engage actively in technical reforms. At the same time, because the scale and product varieties of industries catering to foreign markets has not been great, it has lacked the ability to compete and, moreover, the absolute majority of the export products have been of the labor intensive kind, produced at relatively low technical levels and this has also restricted the function of export trade in driving forward technical reforms within very narrow bounds. In the new economic cycle, expert trade should be a driving force, hastening the technical reform of the national economy.

The role that Japan's export trade played in driving forward the technological reform of her national economy after the war was quite striking. Japan is a nation which lacks natural resources and needs to import large amounts of fuel and raw materials. In order to reduce the transportation costs of fuel imports, she promoted the rapid development of sea transport, by such means as building supertankers and ore freighters, building modern shipping ports, etc., implementing automated on and off loading and commodity handling, developing containerized transport, etc. This brought about a chain reaction in departments, stimulating the reform of the material and technological base of the entire national economy. We can learn much from this experience.

Thirdly, it provides, on an even larger scale, foreign exchange for economic construction. Socialist modernization construction requires a large amount of capital, including a large amount of foreign exchange funds, and export trade is our nation's major source of foreign exchange. Only under the guidance of the new strategic thinking and by forcefully developing industry geared to the international market, changing the composition of exports, multiplying the scale of exports and having export trade fulfill its function of supplying foreign exchange for the state can we achieve fuller development.

How We Can Usher in a New Situation in Our Nation's Export Trade

First, this requires that we conscientiously apply the law of developing the national economy in a planned and proportioned way and establish national economic plans. This is the basic guarantee of the smooth development of our national economic construction. Foreign trade is a component part of our entire national economy and only through comprehensive strategic planning can we fully develop the strategic role of export trade. In our work of national economic planning, achieving a comprehensive balance is the most basic method. But, under the influence of differing guiding ideologies, we can establish totally different comprehensively balanced national economic plans, under which economic results will be vastly different; and under different plans to achieve a comprehensive balance, the role played by export trade will also be widely divergent. All comprehensively balanced plans based on an autarkic, isolated economy will suffer poor economic results and will be unable to foster fully the functions of export trade. In accordance with such plans, foreign trade can only involve exporting products for which supply exceeds demand and importing products for which demand exceeds supply, which is done in order to seek a balance of goods and materials. This kind of export trade only serves the function of regulating and supplementing. Since the nation was founded, the comprehensively balanced plans of our nation have basically been of this nature. If our comprehensively balanced planned was based on utilizing both foreign and domestic resources and strengths, placing foreign trade in a position of strategic importance, the situation would be tremendously different. Such planning can use foreign trade to combine both foreign and domestic resources and strengths organically, not only developing domestic advantages, but also fully utilizing foreign conditions, and, in so doing, to realize a balance in goods and materials and their values on an even higher level, seeing to it that the expanded reproduction of our socialist nation can develop on an even larger scale and that the rate of economic construction can be greater.

Secondly, we must forecfully develop the production of export products that meet the demands of the market and broadly expand the materials base of export trade. Since the founding of the nation, we have gradually established a number of comprehensive bases and specialized factories to produce products for export. In 1981, these bases and specialized factories supplied a total of 9.25 billion yuan worth of exports, representing 22 percent of total foreign trade purchases during the same period. Of these exports, many have already become export mainstays. Practice has proven that developing export product bases is of help in overall planning and in fostering the advantages of suiting measures to local conditions; is of help in introducing technology, spreading improved varieties of products and seeing to it that products are suited to the needs of the international market. And this supplies more competetive products which helps to expand export trade.

In addition to developing bases for the production of export products, we should further implement the policy of "using imports to develop exports," enlarging the scope of export trade. In recent years, in the area of using our labor resources and forcefully developing the practice of importing materials for processing into goods for export, we have seen great development. At present, such trade represents more than 40 percent of total import and export trade, and this is an important strategic measure in the present export trade of our nation. It is beneficial in fostering the advantages of coastal industry, increasing production, arranging employment, expanding exports and increasing the fiscal and foreign exchange income of the state, while at the same time, it is beneficial in getting production departments to carry out technical reforms, spending up the generational advance of products, developing new products and strengthening their competitiveness in the international market. Therefore, we should summarize experiences in this area and adopt practical measures to expand export trade associated with the processing of imported materials.

Thirdly, we must fully foster the strategic role of export trade, actively altering the composition of our exports. Our nation is comparatively rich in mineral resources and large amouts of petroleum, raw coal, nonferrous metals, rare metals and other resources are awaiting development. And the international market has a great need for these resources. Looking at matters from the strategic level of the four modernizations construction, there is a great need for the largescale development of the mining industry and for the expansion of the export of mineral products in order to drive forward a whole series of related basic industries, such as the machine industry, the electronics industry, and the communications and transportation industry. At the same time, we must utilize the present industrial base, tap hidden potential and expand the export of industrial products. Our nation's machinery industry is already quite large and some machinery areas, such as ship building, machine tools and certain light and textile industry machinery, are already approaching or have reached advanced world levels, but our nation exports machinery products on an extremely small scale. A major problem which exists at present is that product quality is not high, performance is uneven, parts supply is insufficient and after sale service is poor-products are not meeting the demands of the international market. If we work hard in the areas of raw and processed materials, design, production techniques, management systems and specialization and division of labor, gradually solving the aformentioned problems, then it will be possible to expand our exports of machinery products on a large scale.

We must also, based on present conditions, further develop the production and export of the products of the light, textile and handicrafts industries and of agricultural, sideline, indigenous, special and livestock products, and consolidate and expand the building of bases and specialized factories for the production of products for export.

In an article entitled "On the Matter of Our Nation's Foreign Economic Relations" printed in the editorial section of RED FLAG, it was pointed out that: if, within 20 years, our nation's foreign economic activity--refering only to the scale of foreign trade--were to quadruple from the present level, this would still only amount to 16 billion [U.S. dollars]. This seems to be a large amount, but in fact it represents only 4 percent of present world trade." Reaching this level will not be easy. The most important thing is to have the correct guiding ideology, to establish a new economic cycle which organically unites foreign and domestic elements on the foundation of self-reliance, to develop forcefully industries that produce goods for export in accordance with the needs of foreign markets, to change rapidly the backward composition of export products, to expand exports on a large scale and to see to it that imports and exports are closely integrated. As long as we carry out strategic planning and tactical coordination under the correct guiding ideology, then we can open up a new situation in export trade and see to it that export trade fulfills its important strategic role in the task of socialist modernization and construction.

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FOREIGN TRADE

USE OF FOREIGN FUNDS FOR TECHNOLOGICAL REFORM LAUDED

Nanjing XINHUA RIBAO in Chinese 15 Jan 83 p 1

[Article by Yao Guoguang [1202 0948 0342]: "This Year Our Province Will Use Foreign Funds To Introduce More Than 100 Projects--Combining the Reform of Enterprise Technology With the Importation of Advanced Foreign Technology"]

[Text] In keeping with the plans for economic development in our province and the goals of enterprise technological reform, this year there will be more than 100 projects throughout the province which will utilize foreign funds to introduce technologies--on a total scale of approximately 100 million U.S. dollars, equivalent to one-half of the total foreign funds used in the preceeding 4 years.

This year, our province will continue to utilize foreign funds in processing and assembly, compensatory trade and co-production projects, upholding "one unity with three major elements," intimately combining the utilization of foreign funds and the introduction of technology with the technological reform of enterprises, taking raising the levels of the light and textile industries, developing product variety, satisfying domestic needs and expanding exports as the key tasks, taking middle-sized and small projects as the key focus and taking borrowing and repayment by enterprises themselves as primary concern. The focus in carrying out projects should be placed on light and textile, machinery and electronics industries. Light industry, primarily in the five areas of foodstuffs, plastics, leather, packaging and the "three major items," needs to see that products undergo generational advances, making them more competitive in the international market. The textile industry must concentrate on solving the four problems areas of "breadth" (developing broader bolts of cloth), "style" (solving the problems of producing shortline varieties of all types of textile products, such as printed, laced, embossed and lacquared weave goods), "handling" (strengthening the post-production handling of every type of textile goods) and "amount" (greater variety and smaller batches) in order to improve the grades of products and to expand exports. The machinery and electronics industries should stress the introduction of basic technology and the design and manufacturing of basic components and devices (including key equipment and testing methods), forcefully supplying superior equipment to meet the many needs of technological reform in light and textile industries and all other industries.

People in charge of concerned departments say that the utilization of foreign funds by our province began after the Third Plenary Session of the 11th Party Central Committee established the policy of opening to the outside. For several years, every area has combined this with our present technological reform of enterprises, and, taking the development of light and textile industries, the production of consumer goods, and the development of middle-sized and small projects to be of primary concern, most areas have achieved concrete results, using little money, with rapid start up and guaranteed repayments. According to initial estimates of projects going into production throughout the province, for every U.S. dollar of foreign funds used, approximately 6 yuan of production value is realized; and every U.S. dollars worth of foreign exchange leads to 1.6 yuan of tax revenue. Practice has proven that using foreign funds and introducing technology is an effective way of speeding up the technological reform of existing enterprises and of raising the levels of industrial technology and of management and that it has played a marked role in speeding up the development of agricultural and industrial production and in increasing fiscal income.

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FOREIGN TRADE

SHANGHAI SENDS WORKERS ABROAD ON LABOR SERVICE CONTRACTS

Shanghai JIEFANG RIBAO in Chinese 10 Jan 83 p 1

[Article by correspondent Yang Weitong [2799 0251 6639] and reporter Gao Xiaoxiao [7559 5131 4562]: "New Channels in Shanghai's Export Trade"]

[Text] Shanghai has already made an excellent start in contracting for foreign construction and labor service cooperation. So far, we have already sent out more than 2,000 construction technicians, technical workers and chefs, and soon we will send 500 more. They are carrying out technical guidance and technical service in state-run and privately run factories, enterprises and restaurants and in more than 10 nations in West Asia, South Asia, Southeast Asia, Africa and Europe, opening another channel for Shanghai's export trade which not only earns foreign exchange for our nation and accumulates funds, but also makes a contribution of furthering friendship between ourselves and these nations.

Shanghai's contracting for foreign construction and labor service cooperation is a recent development. The areas of labor service cooperation are numerous, covering more than 100 items and activities, such as textiles, knitwear, printing and dying, clothing, shoe manufacturing, pharmacy, cigarettes, daily appliances, aluminum household utensils, electric cable, steel, autos, agricultural machinery, machinery manufacture, fishing vessel maintenance, freezer upkeep, fresh water fish farming, Chinese vegetable cooling, etc. The people we send are all in the prime of life and are people who possess a firm theoretical foundation and actual operational experience, who can insure the quality of the work they undertake, who can endure hardships and continue to work hard and who will enhance the prestige of the motherland. The 12 technical service groups that Shanghai has dispatched to Iraq have all done fairly well in their work. The workers at the Naxiliya Woolen Mill in Iraq raised machinery capabilities from the 4th to the 6th level. They also helped the mill to improve product quality, greatly raising the rate of top-grade products produced, and have received high praise from the Iraqis. Fishery experts from our nation who are engaged in technical cooperation at the experimental fresh water aquatics station in Sri Lanka have worked closely with local technicians and have already successfully used artificial methods to hatch several million fry. The Shanghai technicians working at the Sana Textile Mill in the Yemen Arab Republic have helped the mill to carry out technical reforms. After the reforms, the mill increased its production of polyester cotton blend cloth and printed calico. The technicians taking part in the work of installing equipment while

working at the Yemen Knit Underwear Plant have made several innovative suggestions, solved key technical problems and insured the production quality of grey cloth. Chefs offering guidance in Chinese cookery who have been sent to such places as the "Nanjing Restaurant" in Bucharest, Romania and a restaurant owned by the Wu family in Los Angeles, United States have also been highly critiqued and have brought honor upon the motherland.

The comrades in Shanghai's technical service groups who go abroad have displayed excellent work and living styles in the enterprises and the nations they have entered, furthering friendship with the peoples of those nations. Once when a garage at the Naxiliya Power Cable and Electrical Wire Plant in Iraq was on fire, two Shanghai workers on the scene rushed, without regard for their personal safety, to fight the fire and, after a struggle, managed to extinguish it. When the Iraqis learned of this, the manager personally responsible for safety made a special trip to thank our technical service group.

There are vast opportunities and untapped strength in Shanghai for contracting for foreign construction and labor service cooperation. This work has just begun. This year, we shall conclude even more contracts and cooperative projects, and we will send workers and engineering technicians not only to developing countries, but also to developed industrial nations as well.

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FOREIGN TRADE

GUANGDONG'S TOURIST TRADE, FACILITIES EXPAND

Guangzhou NANFANG RIBAO in Chinese 17 Jan 83 p 1

[Article by Wang Shaomu [3769 4801 2606] and Chen Zhaojin [7115 0340 6930]: "Our Province's Tourist Trade Developed Rapidly Last Year"]

[Text] Up to the end of last year, the tourism industry in our province has already received more than 1,044,000 tourists traveling at their own expenses from foreign countries, Hong Kong, Macao and Taiwan, an increase of 12.2 percent over the year before last.

Last year, our provincial tourism department astutely made use of Guangdong's advantage of being adjacent to Hong Kong and Macao, implementing flexible measures and developing the Shenquan and Zhuhai special 'sightseeing" spots; and stressed the active opening of communication lines in tourist areas, municipalities and counties, expanding the sources of tourist business. Because of this, the number of tourists has increased daily.

For a year now, tourist accomodations in our province have been improving. New construction and overhauls of tourist hotels and service facilities have mostly been completed. Tourist vehicles are rapidly being overhauled and increased. At present, the province has more than 2,000 tourist vehicles of every type, the majority of which are equipped with air conditioning.

Every local area, municipality and county has devoted attention to the construction of scenic areas and tourist attractions. Long-time scenic and tourist areas like Conghua and Wenquan and the cultural ruins of Guangzhou and Foshan have been renovated and embellished in recent years. Throughout the province, we have also newly opened Shijingshan in Zhuhai, Lianhuashan in Fanou and Nanhu in Guangzhou, and the Xili Reservoir vacation spot in Shenquan, as well as the tourist attractions of Shijiling and Danxia in northern Guangdong and Lingxiaoyan in western Guangdong. At the same time, they have developed various forms of tourist activities which have a unique Guangdong quality and which are very popular with tourists.

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FOREIGN TRADE

FOREIGN TRADE PROCUREMENT WORK IN GANSU PRAISED

Lanzhou GANSU RIBAO in Chinese 13 Jan 83 p 1

[Article by Li Shoujia [2621 1108 3946]: "Our Province's Foreign Trade Procurement Work Has Been Done Well"]

[Text] Our province's 1982 foreign trade procurement plan was overfulfilled by more than 20 percent. Procurements in the three large categories of textiles, light industry and metal ores exceeded the plan by more than 30 percent.

In order to support the development of the production of goods for export, the provincial foreign trade departments have successively come up with support funds amounting to more than 2.5 million yuan, giving key support to a large number of export products, such as black mellon seeds, apples, day lillies, rabbits and dried cauliflower. With the permission of the provincial government, people have negotiated the purchases of several products which meet the demands of the marketplace and are worthwhile in terms of currency exchange, and have appropriately raised the prices of foreign trade stocks. Supplies cannot meet the export demand for dried cauliflower, and, in order to stimulate production, we suitably raised the prices, using the prices of goods in stock as a basis and, moreover, came up with 20,000 yuan to support production. Last year we actually saw procurement of 63 tons, far exceeding the original target. In recent years, we have been unable to increase our procurement of black mellon seeds. Last year, foreign trade departments carried out price negotiations and paid a fixed remuneration to grass roots level purchasers, spurring on the production of black mellon seeds and the enthusiasm of purchasers. Last year more than 500 tons were purchased throughout the province, exceeding the target by more than 300 tons.

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FOREIGN TRADE

BRIEFS

SHENZHEN USES FOREIGN FUNDS--Hong Kong, 2 Mar--In conducting economic activities with foreign countries, Shenzhen continues to pay attention to its "special" features, actively conducts innovations and reforms and probes for advanced methods for operation and management. By the end of January 1983, Shenzhen had used foreign funds to bring in 1,589 projects. The volume of investments stipulated in agreements amounts to 3.1 billion yuan (equivalent to HK$10.318 billion) of which 540 million yuan (equivalent to HK$1.8 billion) has already been used. [Zhou Yizai] [Text] [HK040302 Beijing RENMIN RIBAO in Chinese 3 Mar 83 p 1]

PRC, USSR COMMODITY AGREEMENT--Moscow, 10 Mar (XINHUA)--The PRC-USSR commodity exchange and payment agreement for 1983 was signed here today. Jia Shi, leader of the Chinese Government trade delegation and vice minister of foreign economic relations and trade, and I. Grishin, leader of the Soviet Government trade delegation and deputy minister of foreign trade, signed the agreement on behalf of their respective governments. The trade volume between China and the Soviet Union this year will increase by a fairly large margin over last year. China will import from the Soviet Union commodities such as steel products, nonferrous metals, timber, chemical fertilizers, cement, sheet glass, and chemical and machinery products, and will export to the Soviet Union minerals, meats and meat products, edible vegetable oils and oil products, silks and satins, cotton, textiles and clothing, light industrial products, tea, animal products and so forth. N. Komarov, acting minister of foreign trade, met with Chinese trade delegation leader Jia Shi and attended today's signing ceremony. Also present at the signing ceremony on the Soviet side were: Zhuravlev, first deputy minister, and Gordeyev, Zorin and (Makarov), deputy ministers of the Ministry of Foreign Trade, and Kapitsa, deputy minister of foreign affairs. Chinese ambassador to the Soviet Union Yang Shouzheng was present at the meeting and signing ceremony. Following the signing of the agreement, the Soviet Ministry of Foreign Trade gave a banquet for the Chinese Government trade delegation. [text] [HK101754 Beijing XINHUA Domestic Service in Chinese 1610 GMT 10 Mar 83]

ANHUI FOREIGN TRADE--Foreign trade developed rapidly in Anhui Province during 1982. Total exports were 140 million U.S. dollars, an increase of 61.2 percent over 1981. The total amount of procurement of commodities for trade purposes exceeded 900 million yuan last year, an increase of 20.9 percent over 1981. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 11 Feb 83 OW]

JIANGSU FOREIGN INVESTMENT PROJECTS--From 1978 to 1982, Jiangsu Province concluded a total of U.S.$300 million worth of foreign investment agreements for the construction of 738 projects. Relatively good economic results were noted from the more than 400 projects put into operation. [Beijing Domestic Service in Mandarin 1000 GMT 12 Feb 83 OW]

CSO: 4006/345

ZHEJIANG TRADE UNION COUNCIL SUPPORTS REFORMS

OW010001 Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 27 Feb 83

[Text] The recently held first enlarged Standing Committee meeting of the Eighth Zhejiang Provincial Trade Union Federation called on trade union cadres to stand in the forefront and be activists promoting, and participating in, reforms. On the one hand, they should carry out reforms of trade unions. On the other hand, they should actively develop trade union work in the course of the reforms.

Comrades attending the meeting held that trade union reform should proceed from the nature of the mass organization of the working class and give prominence to its mass character. Reforms should be conducive to maintaining close ties with the masses and to enhancing the mass character of the trade unions as mass organizations, so that they would really represent the masses of workers and staff members and protect their legitimate rights and interests. In this way, the trade unions would become the workers' own organizations and strong links between the party and the masses of workers and staff members. In reforming the trade unions, it is necessary to firmly implement the party Central Committee's basic principles and policies on reform proceed from actual conditions in the trade unions. At the same time, the reform of trade unions should be closely linked with the reform of the leadership structure and the economic system. Through reform, the trade unions should be able to keep in closer touch with the masses and serve the workers and staff members better. Leading bodies of trade unions should also serve trade unions at lower and grassroots levels better.

The meeting called on the working class throughout the province to actively participate in the reforms. It called on trade union cadres at various levels to clearly see the importance and urgency of the reforms, heighten their spirits, do good ideological and political work among the masses, investigate and study new situations, sum up new experiences, solve new problems, create a new situation in trade union work and make new contributions to building the two civilizations.

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RAILROAD FREIGHT CAR IDENTIFICATION BY SERIAL NUMBER EXPLAINED

Beijing TIEDAO ZHISHI in Chinese No 6, 28 Nov 82 p 22

[Article by Kong-Qingjiang [1313 1987 3068]: "Know the Railcar Type by Its Serial Number"]

[Text] In marshalling trains, the rule is to order loaded cars according to their destinations, and empty cars according to their types. The destination of loaded cars is indicated on the waybill, and the types of the empty cars are also usually indicated on the marshalling list. However, sometimes the marshalling list only contains the empty car's serial number, with no indication of type: how then do you know what type of car it is? There is a simple way to do this: all you have to do is understand the rules for numbering freight cars, and you will rather easily determine the type of an empty car.

The usual run of freight cars include the boxcar (P), the open freight car (C), the refrigerated car (B), the oil tanker (G), the flat car (N), the caboose (S), etc. Their serial numbers are six digits, except for the flat car which is five digits and the caboose which is four digits. The first of the six digits, counting from the left (the lxxxxx digit) normally indicates the car's load capacity. For instance, a 60 ton capacity car's first digit is 6, a 50-ton capacity car's first digit is a five, for a 30-ton car it is 3. The second digit in the serial number (xlxxxx) is directly related to the type of the car. If the 5th digit is a 0, or a 1 (one) then it is a boxcar; if the 5th digit is a 2, 3, 4, 5, or 6, then it is an open freight car; if the 5th digit is a 7, then it is a refrigerated car; if it is an 8 or 9, then it is a tanker. The final digits in the serial number indicate the individual car's own number.

Thus, seeing a 30xxxx or a 31xxxx number car, we know that it is a 30-ton capacity boxcar; a 50-ton tanker will have a serial number beginning 58xxxx or 59xxxx. The normal refrigerated cars are 30-ton capacity, and their first digits are 37. A 50-ton open freight car has as its first digits either 56, 55, 54, 53, or 52. Besides these, the livestock cars also have their designated series: in the six digit number, the first 3 digits (from the left) will always be 382.

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